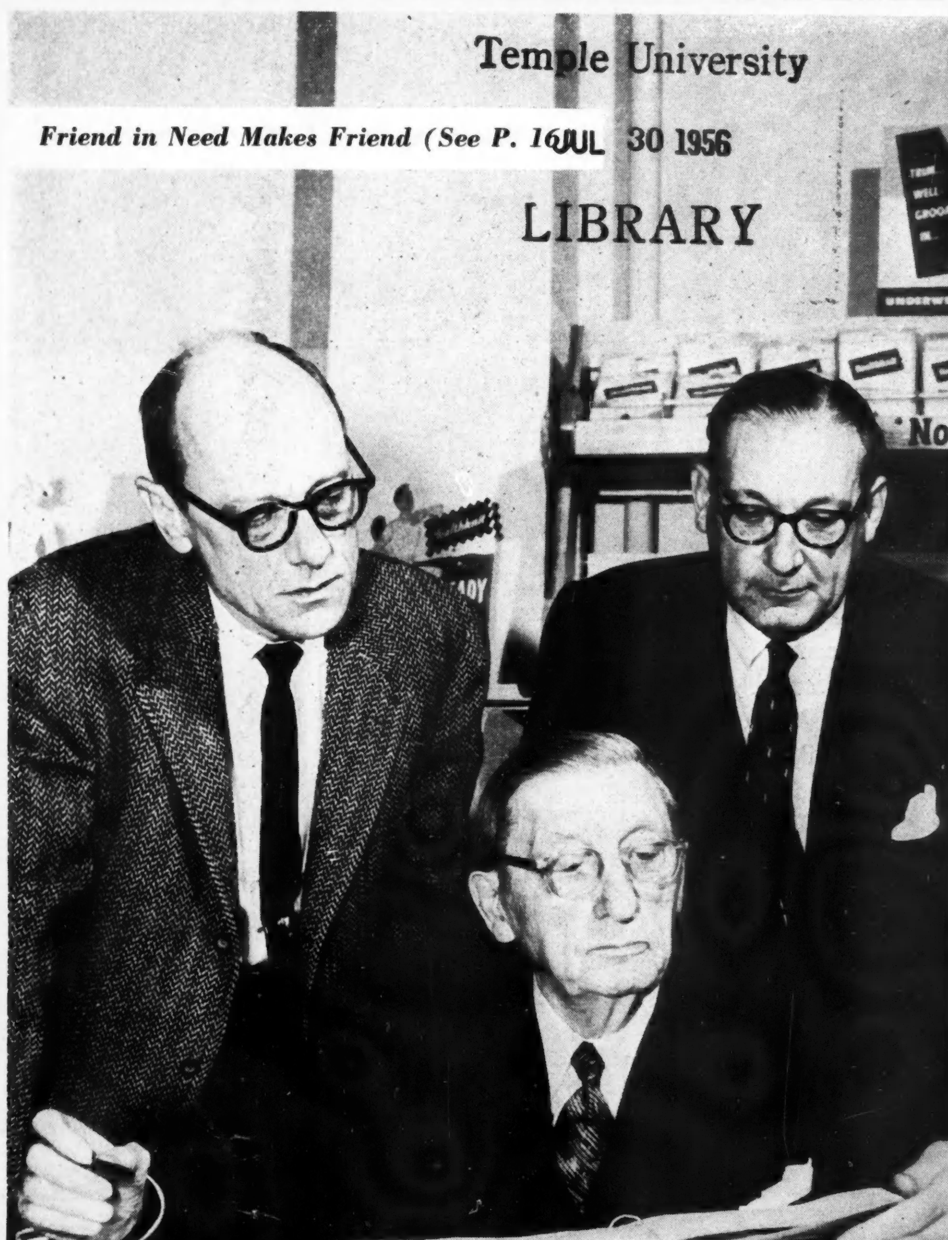
AUGUST, 1956

Credit and FINANCIAL MANAGEMENT

VOLUME 58 NUMBER 8

Friend in Need Makes Friend (*See P. 16*



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this leading manufacturer of paper book matches had their top accounting management investigate various accounts receivable systems thoroughly. A modern system that reduced paperwork and eliminated bothersome details of account checking and collection follow-up was the desired result.

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EDITOR'S MAIL

Credit Education

"The new look of CREDIT AND FINANCIAL MANAGEMENT is indeed an improvement and the general layout is such that it is easy to read and holds one's interest.

"I wish that it were possible for our magazine to carry a regular department of credit education.

"I find that most magazines today which are of interest to the credit executive are all stressing the management trend. This is all to the good."

HOWARD S. ALMY
Secretary, Collyer Insulated Wire Co., Inc., Pawtucket, R. I.

Get More and More

"Many of the members of the Dayton Association of Credit Men have expressed the fact that they are getting more and more from the articles appearing in each issue."

D. L. AURAND
Secretary, Dayton (Ohio) Association of Credit Men

Article Inspiring

"I have watched our magazine's gradual transformation into an excellent publication. Now, our executives ask for it, where in days of yore they often brushed it aside.

"Mr. Taylor's article (Reese H. Taylor, who is president of Union Oil Company of California) was most inspiring and informative. Many of us are fortunate to have such management teams. One of these days, in our time, we shall see Mr. Taylor's ideas relative to Credit-Management relationships expand and invade many organizations."

K. J. FORSHEE
General Credit Manager, Pacific Coast Branch, National Lead Company, San Francisco

Fine Caliber

"I would like to take this opportunity to compliment you on the fine caliber of your publication and to tell you that I enjoy reading it very much."

HARRY C. HOWZE
Assistant Vice President, The First National Bank of Birmingham, Birmingham, Ala.

EDITORIAL

Henry H. Heimann
Executive Vice-President

Consult the People

MANY think of our country as a Democracy. This is erroneous. The framers of our Constitution feared both the King and the mob, so they established a representative form of government.

We have done a reasonably good job of following our people's wishes, though it is a fact that on some matters government assumes it cannot consult its people. Within limitations this type of Administration attitude is perhaps justifiable and does not destroy the concept of a representative form of government. In some instances, however, it goes far astray.

Illustrative of the fact that the people are not always consulted is the foreign aid program through all these years. If that program were put to a vote of the people, it is questionable whether the amount of aid, or the way it has been given, would be approved by ballot. Billions of dollars have been expended in foreign aid without giving the people an opportunity directly to express their views on its wisdom or necessity.

Presumably, representatives stand or fall on the votes they cast in Congress, and among these is their vote on the foreign aid program. Indirectly, therefore, it might be contended that the foreign aid measures have in general been approved, since the people's representatives who voted them have generally been returned to office.

A public vote on the foreign aid issue would be interesting. The internationalist would shy away from this kind of test; the nationalist would welcome it. However, foreign aid as a subject for political discussion should be educational. The voters would hear all the arguments for and against it, and no doubt would have a better understanding of the problem.

It is too much to expect that such a vote will ever be taken, but it is essential that we keep in mind that a foreign aid program without public balloting is always going to be debatable.

Our aid abroad is an exception to the rule that a representative form of government consults its people on all matters before it takes action. It would seem advisable to discuss the pros and cons of foreign aid in public forums. If these discussions were of a constructive nature we might have a much better understanding of the program, and an improved foreign aid plan could be established. Such a new plan would undoubtedly be more spiritual than material in character.

THE AUGUST COVER

YOU are on the long distance phone. An account of yours who owes $3,000 for current bills has just seen his store burn to the ground. He wants to reopen at once and needs merchandise. What do you reply?

Here's what R. A. Gallagher did. The secretary-assistant treasurer of F. Brody and Sons Company, Des Moines, reviewed in mind's eye the character, capacity and conditions of the customer, said "Yes," and in 24 hours had a truckload of goods on their way.

And today? The potentials of the account now a reality, his inventory and net worth trebled.

Rollie Gallagher (left) is shown

on the front cover with A. Brody (center), chairman of the board, and Julian Brody, president and general manager of the company which last year observed its 75th anniversary.

Chairman Brody at 81 is at the office daily. He is the only one of the original "and Sons" still in the business, which he joined in 1890. He became a member in 1901, has held every office, and was elected chairman in 1954.

Julian ("Steve") Brody represents the third generation in the company. Graduate of Phillips Exeter (1920), Harvard (1924), he was secretary-sales manager of the company 1925-1937, and managed other interests before becoming president and general manager in 1946.

Past president of the Iowa State Retail Clothiers and member of the board of the Iowa Association of Garment Manufacturers, Julian Brody owns and operates two retail clothing establishments in Iowa City. He was general campaign chairman, Community Chest, 1952; president, Des Moines Chamber of Commerce, 1953; president, United Campaign, 1955.

FINANCIAL MANAGEMENT

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

VOLUME 58 **NUMBER 8**

IN THIS ISSUE

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Send copy and plates to 229 Fourth Ave., New York 3.
Chicago, Ill.—*Russell Smith*, 205 West Wacker Drive. Phone: DEarborn 2-5091.
New York, N.Y.—*Publishers Associates*, 1133 Broadway, New York 10, N.Y. WAtkins 9-4290.

Published monthly on the 20th of month preceding date of issue by the National Association of Credit Men, 1309 Noble St., Philadelphia 23, Pa.

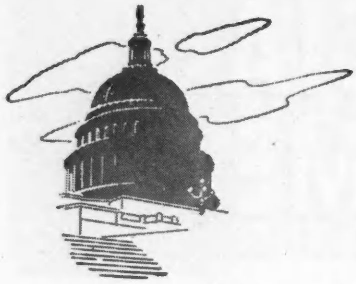
Second class mail privileges authorized at Mt. Morris, Ill. Application pending transfer to Phila., Pa.

Subscription price $3.00 a year, 25c per copy; Canada, $3.50; all other countries, $4.00 postpaid.

Publication Office:
1309 Noble St., Philadelphia

Editorial, Advertising and Executive Offices: 229 Fourth Ave., New York 3, N.Y. ORegon 4-5100. Midwest Office: 33 So. Clark St., Chicago 3, Ill. ANdover 3-3096.

(Address all editorial and advertising material to the New York office.)



Washington

COMPROMISE ruled the halls of Congress, and the White House as well, in the session slated for adjournment as this issue goes into the mails. With emphasis necessarily on bipartisanship deciding the fate of several major bills and give-and-take predominant on others, because of the narrow line of balance of power and division between liberals and conservatives in both parties, neither stood to reap any pronounced overall advantage from measures enacted into law. "Horse-trading" was often the rule to run the race at all.

So with the farm bill, for example. Following Presidential veto of the first measure, Mr. Eisenhower won the soil-bank program in the second bill, and a voluntary raising of flexible price supports laid at rest any campaign issue for the opposition. Veto of the so-called natural gas bill, on charges of improper efforts to influence votes of Senators, put a quietus on opposition hopes of an issue of giveaway of rights to private interests.

With $1.125 billions apportioned to the 48 states and the territories within minutes after the President had signed the highway measure, and with the new taxes on gasoline, tires, etc., being assessed within 24 hours, the $33 billion 41,000-mile superhighway and feeder program rolled into the construction bidding stage in short order.

Some predictions by Secretary Weeks: new records for business and employment; 630,000 working on the roads by midsummer; thousands more turning out materials and equipment; time saving for the estimated 80 per cent who drive to work; increased vacation business; many new jobs in new businesses along the routes. By the Associated General Contractors of America, Inc.: construction tempo speedup from the pre-law volume of $5.5 billions a year to $8 to $9 billions by 1960. By the Automotive Safety Foundation: 3,500 lives will be saved annually, almost one-tenth of the 38,300 death toll last year.

All this, of course, with fingers crossed on the duration of the steel strike.

DECLARING that under present conditions it would be impossible to make available a sufficient supply of scrap metal in case of emergency, the House banking committee called for a tightening of curbs on exports on scrap as it voted a two-year extension of export control powers to the Administration, which had asked the authority be stretched out to three years from June 30th.

"Through agreements with foreign producers to whom we now are exporting, or through imposition of stricter controls," said the committee, "some means must be found to reduce exports of scrap" to satisfy domestic needs.

A STATEMENT by the President before the Citizens for Eisenhower organization, that "certainly the prestige of the United States since the last World War has never been as high as it is today" evoked the customary political cannonfire, but the challenge came also from nonpolitical areas.

Of the Soviet Union the President declared, "we have largely nullified (its) reliance upon force and threat of force" and "it has gone to different kinds of influence."

At the same time, Gen. Alfred M. Gruenther, supreme military commander under the North Atlantic Treaty Organization, was warning that Russia's new policy of "smiles, happy talk and receptions in the Kremlin" actually meant "tougher" times for NATO the next five years because of the increasingly sharp competition from the Communists.

A BROAD NATIONAL INQUIRY into the banking and monetary system of the United States was proposed by Allan Sproul, retiring president of the Federal Reserve Bank of New York, in addressing the New Jersey Bankers Association.

Mr. Sproul, suggesting for the job a Presidential commission similar to the Randall Commission which made a study of our foreign economic policies (completed January 1954), said the rise of discount rates in April was aimed at giving public notice "of the pressure being exerted on the commercial banking system by business demands for credit," with consequent more careful screening of "the necessary demands for credit from speculative or fringe demands."

SENT to the White House was a House-Senate compromise bill appropriating close to $6 billions for operation of 20 or more Federal agencies in the fiscal year that started July 1st. The total exceeded by $183 millions the agencies' requests.

¶ AUTHORIZATION to Federal Reserve Banks for two more years to buy U. S. obligations directly from the Treasury was voted by the Senate. The measure went to the White House.

¶ APPROVED by the House was a House-Senate compromise bill to authorize interest-free Federal loans up to $5 millions each to state and local agencies in 17 western states to construct small irrigation projects.

¶ MOTION to approve a bill providing statehood for Hawaii was defeated by the interior committee of the House.

¶ TAKEN under advisement by the interstate commerce commission was a proposed rule to bring into the open the Government's "bargain basement" freight rates under its practice of purchasing transportation at special rates called 25 to 75 per cent under normal commercial rates. Commercial shippers say that had the Government, with its annual freight bill exceeding a million dollars, been operating without that subnormal discount, three general rate increases to commercial companies would not have been needed.

OFFICIAL TEXTS—of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.

THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25.

¶ GEORGE MEANY, president of the AFL and CIO, wants 9.5 million more workers brought under the Fair Labor Standards Act, covering wages and loans. Among them would be 4 millions in retailing and service industries, 4.25 millions in agriculture, construction and outside selling.

Mr. Meany told a Senate labor subcommittee that such extended coverage would give financial aid to "only relatively few" members of the merged labor organizations.

¶ PASSED by the Senate was a bill providing up to $5 billions in direct Federal insurance against flood damage to businesses, homes and other property. Sen. Herbert H. Lehman (Dem., N.Y.), piloting the measure, said "This is a place where government must move in," declaring that private insurance companies are against entering the field even if supported by Federal reinsurance.

¶ DECLARING he was pleased with the progress toward reduction of paperwork in government, President Eisenhower in a letter to the director of the budget bureau urged more intensive study of paperwork the Government requires of public and industry. This is in line with recommendations of the Hoover Commission for simplification of questionnaires and reports as a means to great savings of needless costs.

¶ SMALL BUSINESS is steadily improving its position, as registered in sales, earnings before and after taxes, and earnings on stockholders' equity, says Wendell B. Barnes, chief of the Small Business Administration.

He notes, in his semi-annual report, that there was a marked increase in requests for the Agency's services; business loan activity was up 20 per cent; disaster rehabilitation work more than doubled; and Government contract awards were over 100 per cent higher than for the second half of 1954. At the same time small business complained of higher prices and of inability to obtain steel, steel scrap, aluminum, copper, nickel, lead, newsprint, plate glass and other materials.

¶ TWO SOUTHERN states have moved legislatively to discourage the importation of Japanese textiles, moves urged by manufacturers. The latest, in Alabama, is a law passed similar to one in South Carolina, requiring that retailers of such goods post signs reading, "Japanese Goods Are Sold Here." The Japanese government has protested against the measures.

¶ COMES NOW the Administration's official estimate that the end of the fiscal year, January 30th, will show a budget surplus of $1,828,000,000 and this wholly because of higher receipts. As noted earlier on this page, the total spending has gone up in parallel each time the budget estimate has been revamped, and so there's no surprise in the announced indication that no tax cut is in sight.

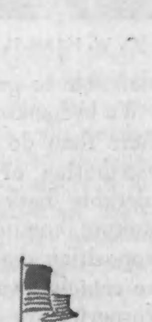
Another budget review, this by the Congressional joint committee on internal revenue taxation, ups the surplus estimate to $2.3 billions and the tax to $2.2 billions, with spending at the same level as the other estimate presented.

Some opposition to a tax cut comes from those who say that a reduction could be inflationary for this period of the business economy.

¶ CONGRESS' joint committee on the economic report doesn't like Government granting of fast tax amortization certificates to those expanding facilities for essential defense production. George M. Humphrey, treasury secretary, had attacked the system last July, when he estimated the plan cost $880 millions in taxes for fiscal year 1956.

The joint committee reported that certificates of necessity granted in the first quarter this year by the office of defense mobilization covered 70 per cent of $2 billions of proposed investment, and added:

"Continued expansion of the program may have serious consequences for the fairness of tax burden distribution."



Calls upon Customers Turn Loss to Profit

BUILDING customer relations is increasingly recognized as a foremost requisite of successful credit operation. In the intensely competitive conditions of today, the credit executive's degree of success in developing friendly personal relations with the accounts can determine whether the company's business story of the year will be told in the profit or loss columns.

Outstanding at the 60th Annual Credit Congress, in Cincinnati, was the panel discussion of the question, "Why Should a Credit Executive Call on Customers?" Panelists discussed both personal visits and other effective contacts by applying the techniques of advertising, publicity and sales promotion.

So many were the practicable and literally adaptable suggestions offered that the addresses are published herewith in full.—*Editor*

Circumstantial, Complimentary And Creative Calls Discussed

O. W. HARIGEL, Vice President, Houston National Bank, Houston, Texas

THE interrogative subject of this discussion could easily lead us into a maze of conjecture. Shakespeare said: "Every why has a wherefore." Before getting too deeply engrossed in the analysis of the many "wherefores" of why you should call on your customers, let us remember that the basic function of credit management is the creation of profits.

O. W. HARIGEL

You may rightfully assume my ideas on this subject are attuned to banking's peculiar needs. I believe you will grant me the privilege of assuming some of our principles are adaptable to general commercial credit requirements.

We in banking function in a somewhat different atmosphere than do you folk who engage in the creation or distribution of goods and wares. While there is considerable dissimilarity in our methods of operation, the banking community staunchly advocates the universal proposition that the customer is king. We recognize and are acutely aware that our opportunities for growth and prosperity are directly geared to the success and welfare of king customer.

It may seem strange to some of you to be told that a bank's best source for additional business is its present customers. Of course, we don't close our eyes to opportunities for attracting new customers. But hour for hour, and dollar for dollar, we can generate more and better business within the circle of our present clientele. Is it any wonder, then, that we so fervently indorse the premise that business is where you develop it, not where you find it?

In our shop, we are deeply conscious of the fact that the various banking services and facilities we offer our customers are different from the other banks' services only in the way we administer them. We can serve our customers better than any other bank. We think our customers know that. But we implement the thought by frequently visiting our customers and instilling in them the knowledge that we have the ability, the capacity and, more importantly, the desire, to take care of all their banking needs better than anyone else.

To my way of thinking, customer calls may be divided into three general categories: circumstantial calls, complimentary calls, and creative calls. Each class is distinguishable from the others by the predetermined purpose of the visit.

In the "circumstantial class" we would put such calls as those to collect a payment, to pacify a disgruntled customer, or to verify items appearing in the customer's financial statement. The objectives to be accomplished in this type rather well dictate the procedure to be followed.

The second may be designated the "complimentary class." This would primarily cover your visits to express gratitude for business you have received from your customer, to compliment the success he has achieved in conducting his store or plant, to congratulate him upon the opening of a new office or branch, or on the occasion of an anniversary celebration.

Visits of this kind, properly handled, are productive of a terrific amount of good will for your company.

Several months ago, in Chicago, I asked the receptionist in the home office of one of our accounts if I could talk with their treasurer, explaining to her that mine was not a pre-arranged visit. His first question, after the usual greeting, was, "Is anything wrong with our account at your bank?" I assured him there was nothing "wrong" at all, but to the contrary the account was such a splendid one that I wanted to compliment him on the fine way they handled their banking affairs, and to express our appreciation for their business.

As I spoke, I noticed the anxious expression disappear from his face, but I certainly was not prepared for his

(Continued on page 29)

Advertising, Publicity, Promotion Techniques Adapted to Credit

E. B. GAUSBY, Secretary, Warner & Swasey Company, Cleveland, Ohio

THE other speakers are outlining the values and advantages to be gained from a personal interview with the customer. They have suggested some of the techniques and procedures to be followed if maximum benefits are to be secured.

E. B. GAUSBY

Because of the time and expense involved in these individual calls, customer contacts are not made frequently enough. Too often they are reserved for securing financial information relative to the large order, or the collection of money when the situation is serious. It would appear that the real problem is: How can the credit executive make more calls on more customers? Here are some suggested answers to that question.

By means of advertising, publicity and sales promotion the salesman meets the customer time and time again without having to make a personal call. Why not use the same techniques for the credit executive? This type of call is impersonal and does not produce the full benefits of an actual interview. On the other hand, it can be made at a very low cost, does not require valuable time, and does maintain contact with the customer between personal visits.

Here are some examples. The newspaper release tells about the activities of your company officers. May I suggest similar informative releases about the activities of your credit executive.

Your company builds the prestige of sales personnel through planned publicity on new appointments. Why not develop a similar program for equally important credit appointments?

Contribute to Trade Journals

Your sales executives submit articles for publication in the trade journals serving your industry. This helps to acquaint your customers with your company's business leadership and the way it conducts its business. The credit executive should also write for the trade journals. By so doing, he reaches thousands of his customers without having to stir from his office.

Stockholders are told of the new products developed by engineering. Are they also told about the new customer financing plan developed by the credit executive? They should be, for some stockholders are also customers.

Your executives give many hours from the business day, as well as from their evenings, to participate in programs for community betterment. They make many contacts by identifying themselves with a wide range of professional, business, educational, social, and religious organizations. Does the credit executive do the same? He should, for there are many of his customers in all of these groups.

Individuals shape the course of government in the local community, city, state, and nation. They can do justice to you and to your customers only if they clearly understand the problems involved. Management stands ready to appear at committee hearings, to furnish factual source material, to suggest courses of action. Is the credit executive equally available for counseling and committee work? Word of his activity and accomplishments usually filters back to his customers. If it doesn't, or if it doesn't get back to them quickly enough, make certain that it does. The result—more customer contacts.

MUCH has been said about "proper recognition and evaluation in management for those who labor in the field of credit management," declared the moderator, Arthur F. Gerecke, manager, credit and adjustment department,* St. Louis Post-Dispatch, *introducing the panelists. "To win such recognition and higher level in management must begin with your own development and expansion in your chosen field.

"It is up to us—everyone of us—to learn, listen and labor, to pull ourselves up by our bootstraps and win greater recognition than we have ever known and reach the higher levels to which we believe we are entitled in the field of credit, which is one of the most important factors in our national economy, in our stupendous potential production capacity, and in the highest standard of living ever known in the world."

A. F. GERECKE

Aiding Customer in Time of Need

Sales-service and sales engineering staffs are set up to render prompt and efficient service to the customer in time of need. Are the credit executive and his staff similarly equipped? Can they also offer and provide capable help and assistance at some critical point in the customer's business life?

Your company regularly shares with the customer product application stories, technical information and production shortcuts. Does it likewise share the financial knowledge of the credit executive, his experience in credit management, his legal training, his knowledge of accounting, and all the other skills that he has at his fingertips? If it does, then continuous contacts with customers can be the rule rather than the exception.

Suppliers do a better job if your purchasing people keep them informed of your buying policies, inspection standards, and the need for special services. Are they also told what the credit department requires before the vendor can be approved as a preferred source of supply? Or what is necessary before advance or progress payments will be approved? Are they told that help and guidance are available from the credit executive should a financial problem arise? Some credit executives have made a lasting impression on their vendors by just such a program. Remember—vendors are also customers.

So far, these suggestions have been shooting at a broad target. The shots have been pretty well scattered. Now let's aim a little closer to the specific customer, or groups of customers, that you want to call on. This is, of course, still without having to make extended trips in the field.

The booth at the Trade Show or Exhibition Hall is always staffed by salesmen. Shouldn't there also be a representative of the credit department on duty? Not only can he see old customers, and get to know them

(Continued on page 28)

Liking People Is a Requisite of Credit Management Success

J. H. DONOVAN, Assistant Treasurer, Jones & Laughlin Steel Corporation, Pittsburgh, Pennsylvania

PROPER administration of sound, progressive and constructive credit management presupposes and in its complete scope demands ability and capacity for liking people, for genuinely wanting to get along with people.

J. H. DONOVAN

For the purposes of this presentation, we have in mind our relationships with our business associates and the customers of our respective companies. Specifically we are thinking of our customers and the sincere and purposeful efforts we may put forth to assist and counsel, and, in every reasonable and proper way possible, aid in the solutions of problems of mutual interest and benefit.

A common conception of credit considerations and evaluation envisions largely, and sometimes exclusively, the study and analysis of financial and operating statements and related statistical data. This, we all know, is only partially correct.

Financial Reports Necessary, But . . .

Such reports are necessary, particularly at regular intervals for stated periods, to reflect trends and improvement—or the lack of improvement, as may be the case.

But any financial statement or any operating report represents a static condition as of a given date. In its final analysis what exactly is the significant characteristic or value of such report? The real significance is that this report is a presentation, usually in accordance with accepted accounting procedures, of the results of the efforts, the experience, the "know-how" and the administrative talents of management.

Basically, *Credit is People*—not a grammatical statement, but I think a true one. Of at least equal importance with, or, in some cases, of *more* importance than the evidence of the tangibles of a business should be our knowledge of the people who are responsible for the proper and most effective use of these tangibles.

Following through on this basic premise, that credit is people, the first consideration in the evaluation of a credit situation should be an appraisal of management—not only as management might consist of a group of individuals, but as management might be responsible to or perhaps completely centered in one individual. I make this observation advisedly, because there have been instances of managements which, on casual observation, might be properly construed as effective managements, whereas actually these apparently cohesive and well-knit management groups have been dominated by one individual, who for various reasons is in a position to exercise such domination.

In such circumstances, a domineering and dominating individual of this type not only can nullify accomplishment but thoroughly discourage the continued efforts of competent executives comprising the management group, so that ultimately there is simply a one-man organization, rather than a business directed by a well-coordinated group of individually capable persons. The unfavorable effects become apparent in many ways and frequently result in changes as individual conditions permit.

Appraisal of Product

Next there should be appraisal of our customer's product. Is it a new product? Is it something that has been on the market long enough to have become accepted and established, but still susceptible of marked change and improvement? Or is it by its nature rather fixed in its application and its use, not subject to particular modifications, so that competitive conditions and natural marketing areas are principal considerations? How important are style, color, and design? These points largely relate to manufacturing operations, and we must also consider those types of business which buy primarily for re-sale, with little or no change in the materials or products before delivery to their customers.

Plant and Equipment

Assuming that manufacturing processes are involved, is our customer's plant and equipment equal to the demands placed upon it? How old is the plant? How has it been maintained? Is it in need of repair, or modification or enlargement? Is it engineered and planned so that there is smooth flow of operations and a minimum of material handling? What about rail facilities, and provision for receiving raw materials and supplies by truck, as well as shipping finished products the same way?

Is the equipment outmoded and used beyond its reasonable capacity? Or is it up to date and efficient, with replacements or additions made, as the finances of the company will permit, either through re-investment of profits and allocation of working capital, or through assistance of borrowed funds that can be retired by reduction in operating costs and enlarged profits because of increased productivity and other savings generated by the new machines.

Distribution Methods and Sources

If our customer has well-made and salable products that are in demand, or for which demand can be created within proper geographical areas, and has a plant in which these products can be efficiently manufactured, we should next give thought to the methods and sources of distribution. Products of a technical nature, or those with specific and exacting applications, usually require engineering knowledge on the part of those who are charged with their sale or distribution, but in many instances such specialized knowledge is not mandatory. We all know of the usual methods of distribution, generally through direct sales forces, distributors, commission agents or jobbers. Is the method being used the one that seems best for our customer?

Data are available through various services, publications and trade associations summarizing past records and forecasting for many industries. We should familiarize ourselves with these histories and forecasts for the industries in which we are interested, at the same time

(Concluded on page 28)

FRESH IDEAS for successful handling of customer relations emanated from the panel discussion highlighting the Wednesday plenary session of the Credit Congress in Cincinnati. Introduced by the moderator, Arthur F. Gerecke, St. Louis Post-Dispatch *and Stations KSD AND KSD-TV, the panelists were: (l to r) J. H. Hilf, Aluminum Company of America, Inc., Chicago; O. W. Harigel, vice president, Houston National Bank; E. B. Gausby, Warner & Swasey Company, Cleveland, and J. H. Donovan, Jones & Laughlin Steel Corp., Pittsburgh, now Eastern Division vice president, NACM.*

Both Necessity Call and Social Visit Give Important Service

J. H. HILF, Area Credit Manager, Aluminum Company of America, Inc., Chicago, Illinois

IN the rather broad field of customer relations and the credit executives' opportunities in that direction, we can look at many of the usual means of communication, such as letters covering matured accounts, or those covering requests for financial information and comments. We consider also phone calls by the credit manager himself, or others in his office, on credit or collection problems, also personal contacts while the customer is at conventions or trade shows, as well as visits with the customer while at your office, or your personal visits to his office and plant.

J. H. HILF

Visits to the customer's office and plants divide naturally into two categories: (A) When is a visit a real necessity? (B) What can be accomplished on a "social" call?

A personal call upon the customer is necessary when no figures are available either directly or through usual commercial channels for policy reasons. This is frequently the case where the customer, because of touchy labor relations, desires to withhold making figures public, or is engaged in a highly competitive field where he believes public figures will add comfort or trade benefits to his competitors. Frequently in tightly held "Closed" corporations or partnerships the same is true.

When figures seem necessary because of exposure in special fabrication and volume deliveries, an excellent opportunity is afforded the credit executive to make a personal visit and at least look over recent balance sheet and operating figures and discuss them with the proper individual on a confidential basis.

Secondly, a habitually slow pay account, or one which has recently gone into the slow pay column for no discernible reason in your confidential credit file, deserves a personal visit, so that you may properly determine the reason for the slowness and determine for your company to your full satisfaction, whether you should lend cooperation, or withdraw from the picture.

Thirdly, when the customer's demands show a substantial increase which will run the account beyond a reasonable or comfortable exposure, there is considerable advantage to both the customer and credit executive in discussing the matter on a personal basis, again with a view to being of best assistance to your customer and best service to your company, to move along in the expanded picture, or set up appropriate arrangements on a mutually satisfactory basis.

Fourthly, a sudden change in the customer's financial picture warrants a personal visit. The change may be one of these:

(a) Serious drop in working capital amount or ratio;

(b) Apparent need for new funds and no visible steps being taken to relieve the tight picture;

(c) Apparent unwise short term financing of costly nature.

All these developments and possibly others are proper items for discussion between the credit man and the proper individual in the customer's office, not with the idea of being critical of the customer's situation but because, through the wide experience and knowledge of the credit executive, something might be suggested that would be helpful. Ascertaining the customer's attitude in such matters can be of great assistance in planning future relationship.

Fifthly, a visit to the field would be advisable to settle the problem of a customer's seasonal demands vs. arrangements and/or lack of arrangements through usual financial sources. The experience of the credit executive, and the tactful manner in which remedies can be suggested through cash flow sheets production and sales program, can be of great mutual benefit.

Aside from the various sets of circumstances just mentioned, there are many other instances in the credit relationship with a customer when a call becomes a "must." Proper care in the handling of such calls on a diplomatic basis, together with proper preparation in the way of facts and other background data, can in most

(Concluded on page 28)

WORKING CAPITAL — — A KEY TO CREDIT

Return on Capital Investment Reveals Management's Efficiency

By **P. M. CHIUMINATTO**
Secretary and Treasurer
Charmin Paper Mills, Inc.
Green Bay, Wisconsin

THE general topic, "The Creation and Control of Working Capital," includes the following main subjects:

P. M. CHIUMINATTO

(1) Concept of Working Capital—What is working capital? What is our understanding of it? We want to be sure we are thinking about the same thing.

(2) Estimating Working Capital Requirements—How much working capital do we need in our present capacity or for future expansion? If we don't know, how do we find out?

(3) Sources of Working Capital—After we know how much working capital we need, how do we get it or how do we go about getting it?

(4) Management of Working Capital—After we have the necessary working capital, how do we go about conserving it? How do we make sure we are getting the greatest return on our investment?

Let us define what we mean by working capital.

In the accounting sense there are two principal definitions of working capital:

(1) The difference between current assets and current liabilities. This is the definition usually used by accountants, bankers and financial men in the analysis of financial statements.

(2) The total money invested in a business. This is the concept usually used by managers of a business in order to determine the efficiency of their operations.

Under the first definition you have all the so-called "fast-moving" assets or assets which turn over rapidly in relation to sales. Some of these are:

Cash, accounts receivable, inventories, short-term investments, accounts payable, short-term loans, income and other taxes due.

In the second group you have not only the items already mentioned but in addition the socalled "slow-moving" assets or assets which turn over very slowly in relation to sales. Some of these are:

Long-term investments, fixed assets, long-term loans, stockholders' investment, surplus.

We are going to use the second definition; that is, working capital will mean the total money invested in the business and represented by the total footings on the asset side of the balance sheet.

All the assets of a business are, or should be, of interest to credit executives when they come to extending credit to any account.

In using this definition and in dealing with the total assets used, the credit executive has at his command one of the greatest tools with which to determine the efficiency of the management to whom he is going to extend credit. The tool not only tells him if the management is efficient but gives him a comparative tool which tells him whether or not the particular company under study is as good as or better than the average in the industry.

Return on Total Investment

This tool is called "Return on total investment." It is a tool used by DuPont, Monsanto Chemical, Armstrong Cork, Heinz Company, and a number of other leading companies in the United States.

It is based on the simple premise that if a business can always earn an adequate return on the total money invested, it will not only be successful but any expansion program will be on a much sounder basis, and it should never have difficulty in getting the necessary credit for whatever funds it may need.

The formula is simply this:

$$\frac{\text{Sales}}{\text{Investment}} \text{ equals Turnover} \qquad \frac{3{,}000{,}000}{1{,}000{,}000} \quad 3$$

$$\frac{\text{Profits}}{\text{Sales}} \text{ equals Return} \qquad \frac{240{,}000}{3{,}000{,}000} \quad 8\%$$

Return on Total Investment equals Turnover $\times$ Return $\qquad 3 \times 8 \quad 24\%$

This comparison of the 3 turnover and the 8% profit margin and the 24% return on investment with other companies will tell not only if the 24% is equal to the average but also if the investment turnover is average and if the profit ratio is average.

If one could reduce the inventories or the accounts receivable or the plant investment, or increase the sales volume without any additional investment, one could increase the 3 turnover to 3.5, or maybe 4, and raise the return on total investment to 28% or 32%.

There are many interesting possibilities in the variation of these ratios which can increase or decrease the return on total investment. As credit executives, a study of these will help you give accounts sound advice.

***So comprehensive and important is Mr. P. M. Chiuminatto's discussion of Working Capital that it is being presented in instalments in* Credit and Financial Management.**

In this first instalment Mr. Chiuminatto discusses the concept of working capital and methods of estimating the amount a business needs. Later he will take up the subjects Sources and Management of Working Capital.—ED.

Estimating Working Capital Need

Now that we have arrived at a common ground as to what our definition of working capital is, let us give some thought to estimating the amount of working capital a business needs. This is important to you as credit executives because your problem is not always making up your mind as to how much credit you will extend on a given statement, but, if you want to expand the sales of your company, what advice you can give to the management of the undercapitalized company to convince them they must cut back on expansion or put up more working capital.

In general, there are three ways to

(Continued on page 14)

determine the amount of working capital a company needs for any given sales volume.

The First Method

The first method is actually working out the amount of capital required for each item on the balance sheet by means of past experience and management decisions, and dividing the capital so required into that part which is fixed and that part which is variable.

By "fixed" we mean that part of the capital which does not vary or will vary only slightly with sales volume. By "variable" we mean that part of the capital which varies almost directly with sales volume. If you are not an accountant in your own right, you might have to ask for help from your accounting department, and in helping you they will get a liberal education themselves.

Just a few easy examples will serve to give the idea:

Accounts payable usually are 100% variable with sales volume.

Accounts receivable usually are 100% variable with sales volume.

Inventories are usually 100% variable with sales volume, unless one is hedging against a future shortage.

Sinking fund payments on long-term notes, etc., are usually 100% fixed and have no relation to sales.

Fixed assets are usually part fixed and part variable. The fixed assets in hand will not vary with sales volume, unless one decides to sell a part of them, but future expansion should vary with the expected increase in sales volume.

I conducted a seminar at the University of Wisconsin on this subject. We took the balance sheet of a company and actually broke down its working capital into fixed and variable. Those figures illustrate what credit executives can do with them.

The final figures showed that of the total working capital of $1,360,000, there was $650,000 which was fixed and had no relation to volume, and the balance of $710,000 was variable and had a ratio of 28.4% to sales.

What did these figures tell us? They told us a number of things:

(1) We could determine the amount of working capital required for any given volume of sales by multiplying the sales volume by 28.4% and adding $650,000.

(2) It told us immediately if more sales could be made by the company with its present working capital, or if additional sales volume would also require additional money.

(3) It told us that as our sales increased we needed 28.4 cents of additional working capital for each additional dollar of sales.

(4) It told us that of the 28.4 cents needed to finance an additional dollar of sales we would get 17 cents from the normal increase in current liabilities, such as accounts payable and accrual items, and the other 11.4 cents would have to come from profits or other sources.

A further analysis of our profit and loss statement showed us that we had a contribution to overhead and profit of 25% on our sales volume. If our income tax rate was 40% of profit, or 10% on sales, our net ratio after taxes would be 15%.

Now, as credit executives, we have a very vital figure. We know that increased sales will demand 11.4 cents of additional working capital for each dollar of extra sales, but we also know that each dollar of additional sales will produce 15 cents of profit after taxes. Therefore, we can expand our business out of our own profits without the need of outside financing. On the way up we gain 3.6 cents on every additional dollar of sales.

Vulnerable on Way Down

What happens on the way down? As far as the breakeven point we lose 3.6 cents on every dollar of sales we do not make. Beyond the breakeven point we lose 13.6 cents of working capital for each dollar of lost sales. (28.4 minus 17.0 equals 11.4) (25.0 profit loss minus 11.4 equals 13.6).

This sort of calculation tells us two vital factors with relation to the business we are analyzing:

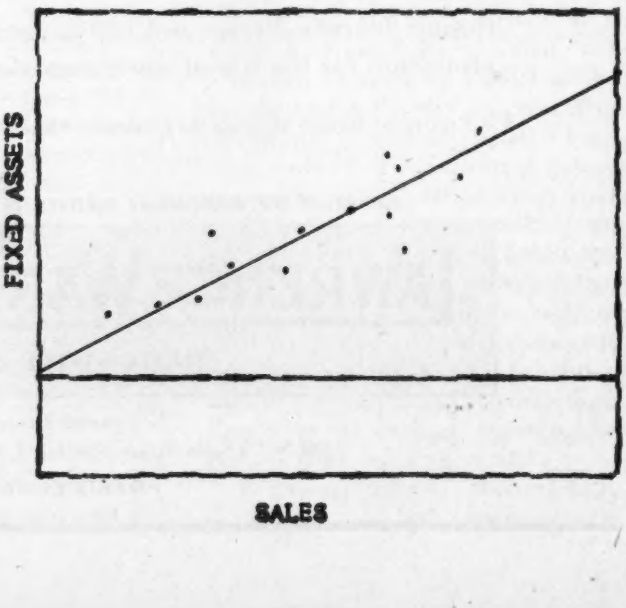
(1) On the way up, the business is self-sufficient.

(2) On the way down, the business is vulnerable. It is a one-sided business, and if the economic outlook is doubtful we should be very careful about extending credit, especially if the sales are now near the breakeven point.

Use of Graph Method

There is a second method to determine the amount of working capital needed in a business. This resembles very much the method we just talked about, with one exception. Management does not have to make the decision on what is fixed and what is variable. The fixed and the variable part of each item on the balance sheet can be determined by means of a graph whereon the sales are shown horizontally and the asset or liability item vertically. By plotting a series of dots for the asset or liability item at various points of sales and then drawing a line through most of the dots, you will find that the line intersects the vertical side of the graph and at this point to the zero point on the graph you have the fixed portion of the asset or liability.

By drawing graphs for each item on the balance sheet you will come out with the total for fixed and variable the same as in our first example. The figures might not be the same, because management decisions used in the first example might be better or worse than the graph form of presentation. However, if management refuses to make the decisions, or if you want to experiment on your



Simple graph to determine amount of working capital needed in a business. Dots represent asset or liability item at various points of sales. Line drawn through most of the dots. From intersection point to zero point you have fixed portion of asset or liability.

own, the graph method is fairly accurate.

The third method of determining working capital requirements is by far the simplest of the three and is based on experience and company policy. This method, called the "Ratio Method," consists of a number of ratios which represent strong financial position or objectives of the company. Taking a typical balance sheet we could, for example, set up the following ratios:

Cash	.50 for each dollar of liabilities
Accounts Receivable	15 days' sales
Inventories	30 days' sales
Fixed Assets	$2.00 of sales for each dollar of assets
Deferred Charges	$30,000.00 fixed
Accounts Payable	10 days' sales
Accrued Items	$20,000.00 fixed
Long-Term Debt	50% of total investment
Capital Stock and Surplus	50% of total investment

By the use of these ratios the credit executive can establish two guideposts:

(1) Is there sufficient capital to finance the sales volume?

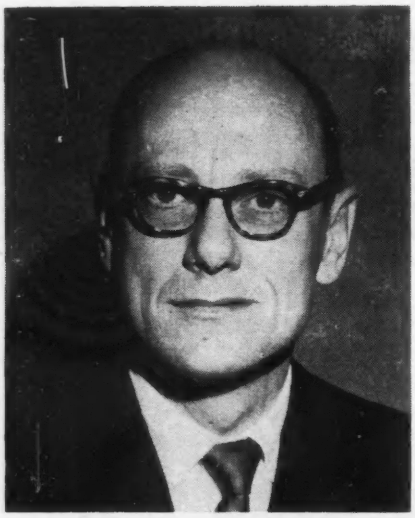
(2) Are the necessary guideposts to financial strength being adhered to or is the company slipping?

Secretary-treasurer of Charmin Paper Mills, Inc., Green Bay, Wis., P. M. Chiuminatto is past president of the Northern Wisconsin-Michigan Association of Credit Men and past president of the Northern Wisconsin Chapter, National Association of Cost Accountants and past national director. The article was prepared for a credit association meeting in Wausau, Wis.

Mr. Chiuminatto is on the University of Wisconsin seminar staff (finance) and that of the American Management Association (finance and insurance). He is co-author of "Handbook on Finance" (Prentice-Hall).

Credit Union Savings Spurt

Credit union members in North and Central America increased their savings in credit unions by $389 millions last year, according to *The 1956 Credit Union Yearbook*, of the Credit Union National Association (CUNA), Madison, Wis. This is a 15.1 per cent increase over 1954, bringing credit union savings up to $2,977,408,838. At the end of 1955 there were 21,004 credit unions with 9,930,627 members, a 6.7 per cent growth in credit unions and a 11.5 per cent increase in members.



By R. A. GALLAGHER
Secretary-Assistant Treasurer
F. Brody and Sons Company
Des Moines, Iowa

MANAGEMENT AT WORK

. . . . a problem case is solved

TOM was the nicest guy in the world. He was a personable, friend-making young man who had stayed in his home town after finishing high school. Home Town in this case was a typical midwestern community, with the exception of its geographical location. It had a 40-mile trading radius rather than the usual 25. He was Young Tom. His father, Old Tom, had managed the canning factory there since time immemorial. Young Tom drove a bakery truck. Life was good. He was making forty bucks a week and had married.

Came World War II. Everybody else in Home Town was joining up. The bakery company couldn't get the sugar it needed. Tom enlisted. He liked the army and especially the Air Corps. He rose to the rank of captain. One day in 1944 he made an emergency landing with a faulty landing gear. Tom lost a leg. For the next four years he went from Army hospital to Army hospital. Finally he received his discharge.

Crippled But Opens Store

Tom returned to Home Town and tried to decide what to do. He was 28 years old. His disability kept him from going back on the bakery truck. He liked people. People liked him. He had a lifetime pension of $200 a month. His wife had worked while he was in service and together they had saved $8,000.

There was one clothing store in town and the owner wanted to retire. Tom bought the store for $7,500. It wasn't much of a store but he was in business for himself!

In the next three years Tom tripled the business of the former owner. He was elected president of the Chamber of Commerce and commander of the local American Legion Post. He increased the stock in the store from $7,000 to $20,000. He bought a lot of merchandise from our firm and either discounted his bills or paid when due. He always kept his word. He was the kind of account that too many of us credit men take for granted. We never had to write him a collection letter.

A Long Distance Phone Call

One Saturday morning in the fall of 1951 I picked up the newspaper and read that Tom's store had burned to the ground the night before. I went down to the office to see how much he owed us and found it to be less than $500, all current. I looked in his credit file to see how much insurance he carried. I didn't even have a current report.

We placed a long distance telephone call to him to see if there was anything we could do for him. I didn't even know him on a first name basis. His voice showed he was heartsick. Through negligence on both his part and that of his insurance agent, most of his insurance had lapsed. Only one $5,000 policy was in effect. He had suffered a $15,000 loss on his fire.

I offered my sympathy and assured him we would do anything possible to help. He said he needed some merchandise right away. He had rented another building and was going to start up again. I asked him how much merchandise he needed. "Everything," was his reply.

Mr. Credit Executive, what would you have done? I was on the long distance phone. I had to think fast. CHARACTER? Unquestionable . . . CAPACITY? That had been proved in his three years in business . . .CONDITIONS? Excellent . . . CAPITAL? He owed $3,000 for current bills and had just lost $15,000 in a fire. Here was a good customer, a potentially greater one, who needed assistance badly.

Did he get help from our firm? He certainly did. Within 24 hours our own truck was on its way with $4,500 worth of merchandise for Tom's new store.

Tom owned a lot on Main street in Home Town. He, his dad and volunteer labor built a new brick building. Other suppliers jumped in and sent needed merchandise. The local bank financed him to the hilt.

Pecks Away at Bills

Then began the long hard pull. Tom lived on his pension. He took nothing out of the store. He pro rated payments as best he could to his suppliers. He pecked away at those bills. 1952, 1953, 1954. By this time Tom and I were on more than a first name basis. I made it a point to make at least three trips a year to his store. We would sit in the office in the back room drinking coffee and telling lies to each other about the Big War. He

Graduate of Drake University at Des Moines, where he was on the college track team, R. A. (Rollie) Gallagher has retained that interest as an official for 17 years at the famed Drake Relays.

With three years in the Army Air Force, 26 months in the China - Burma - India theatre, where he edited "India Ink," Army overseas newspaper, he was for eight years in the credit department of the Des Moines Register and Tribune Company, then for four years credit and office manager of Pittsburgh Glass Company's Des Moines branch before joining F. Brody and Sons Company, with which he is secretary and assistant treasurer.

was still buying from us on a strictly controlled basis.

I believe the thing that clinched the deal for my firm happened during the summer of 1953 when I was visiting in Tom's store and the fire whistle blew. Sure, he was volunteer fire chief, too. His clerk was on vacation and he was all alone. I told him to go ahead and I'd watch the store. While he was gone I made three sales. All were for competitor's products.

Tom's name has been a permanent fixture on Interchange reports since 1951. Some of his suppliers, who evidently granted credit after the fire without knowledge of his loss, dropped out along the way. Some of them sued. This always hurt those of us who were still trying. Finally in March last year Tom owed us only $850. I was making one of my regular calls. He said he'd like to pay up but had taxes that month, etc. We visited a little longer and finally went over to the bank. He then and there arranged his finances in a way that would permit him to liquidate his indebtedness to us. I told him our firm had been in business 75 years and never had turned down a check. He immediately gave me a check in payment in full!

Those four C's I had so hastily reviewed on long distance three and one-half years before had now turned into dollar signs.

I have before me Tom's latest financial statement. He has about $1,200 in the bank and an inventory of $24,000. He owes his suppliers less than $3,000. He owns real estate valued at $27,500 and owes $7,500 on it. His current ratio is six and one-half to one. He has a net worth of slightly over $45,000.

Pretty darned good for a fellow who was really down and under four years ago. Perhaps it is a little early to feel that this case is finished, although since settling up his account in March 1955 (for the first time since 1951) he now is buying more than ever from us.

Tom stopped in our office not long ago. His kid brother was just out of the army and wanted to go into business for himself. He had some money saved. There was a clothing store for sale in a neighboring town. What did we think? Negotiations got underway at once for the new store. Tom was in again with his brother to meet us. His very large initial order was packed at once.

Ten Warning Signs to Guide Credit Executive and CPA in Insolvencies

CREDIT executives who engage a certified public accountant to represent them in customer insolvency matters should first make certain that he fully understands the credit manager's responsibilities to his company, his problems in dealing with the insolvency and his greater responsibility to the other credit men concerned in the case.


IRVING KLUBOK

The CPA in turn must find the answers to a decalog of questions and incorporate them in his report to the creditors, says Irving Klubok, senior partner in Klubok, Robinson & Andelson, Beverly Hills, Calif. Mr. Klubok discusses the ten warning signs in turn.

I. Debtor's True Financial Status

When the accountant performs an audit and submits correct financial data, the creditors' committee will gain sufficient information to make four basic decisions: (1) whether the debtor should be permitted to continue the operation in the prospect of better liquidating the inventory and assets for maximum returns to the creditors; (2) whether creditors should exercise supervision of his operation; (3) whether the business should be liquidated at once, or (4) whether the debtor can work out of his difficulties over an extended period.

Instead of having the inventories taken and priced at knocked-down auction prices by a creditors' representative, Mr. Klubok urges that the committee engage an individual experienced in the industry to evaluate both the existence of the inventory and the extent to which it can be turned into a salable product for conversion to cash. "The inventory usually is the largest single asset," he points out, "and this inventory is the one asset upon which many decisions hinge."

From an analysis, "although it may be superficial," an experienced CPA can glean information for a report to the creditors' committee as to the condition of the records and the approximate cost of an audit. "Such a preliminary expenditure is a minor expenditure and may satisfy the creditors' committee, or the creditor involved, that further investigation is useless as the business cannot be salvaged. Ideas along that line can be explored but should be left to the specific situation. We have found that a fee for such a preliminary examination can be as low as $150 and should never exceed $250. A fee for a complete audit can be as low as $250 and may be as much as $2,500.

II. Cause of the Failure

"This is best determined by an audit which encompasses an analysis of the operations over the past few years. In the case of companies which have started recently, an experienced analyst can determine the cause from the operating statements.

"Not only is an examination of the operating statements necessary, but an examination of the balance sheet is also needed, because sometimes the causes of failure are hidden in the balance sheet."

Some causes of failure: Slow accounts receivable revealed by collection ratios, over-investment in inventories or slow-moving inventories which can be analyzed by inventory turnover; excessive investment in fixed assets; excessive withdrawals in corporations by officers, which are charged to officers' loans, and improper income tax planning.

"In the operating statement the reasons for failure can be determined. Poor sales would be reflected by over-investment in inventory and by inadequate sales figures. Excessive costs of manufacture are represented by the shown percentages of costs of materials used and of labor. Excessive overhead and draining of the funds of the corporation by poor management of overhead are revealed by the expense accounts.

"In the case of partnerships and individual proprietorships, examination of excessive personal withdrawals is important."

III. Any Evidence of Fraud?

Mr. Klubok says "this is investigated by examining the accounts receivable, by checking the percentages of the cost of materials used, by going into the labor charges, and by determining that monies were not withdrawn from the company or personally used by the owners without adequate substantiating evidence such as legitimate bills. Further evidence of fraud may be determined in verifying the accounts receivable.

IV. False Financial Statement

"The accountant must obtain from a creditor, or from a credit checking agency, the most recent financial statement, sent through the United States mails, on which credit was granted. In certain instances the amounts set forth in it must be verified to make certain that none of the balances was inflated to present a financial picture which would warrant the extension of credit. This is window-dressing, which happens more often than is realized, particularly in an inflation of the inventory account, and is difficult to detect.

"However, there have been slip-ups where inventories have been stated at a certain figure on the

SENIOR partner in the Certified Public Accounting firm of Klubok, Robinson & Andelson, Beverly Hills, Calif., Irving Klubok, CPA, is a member of the American Institute of Accountants, the California State Society of Certified Public Accountants, and the Credit Managers Association of Southern California. In practice since 1939, he received his California CPA certificate in 1941.

Mr. Klubok was graduated (Magna cum Laude) from the College of Commerce of the University of Southern California, in 1936. Born January 30, 1915 in New York City.

He has performed a considerable number of audits at request of creditors' committees in the past eight years.

financial statements issued to the trade at a fiscal closing whereas the tax returns have shown a different inventory figure. This situation is easily checked by a routine comparison of the general ledger and the financial statement of the debtor company.

V. Any Shortages in Assets

"In many instances, little can be done because the records are inadequate. However, where there is any suspicion of a shortage in inventory, such as rumors that inventories were sold at prices below cost and the proceeds pocketed by the owners, a detailed examination of the purchase records, sales records, plus the inventories at beginning and end of the period, must be made. This is a costly procedure and is resorted to when there is a definite suspicion of such a shortage; and where the examination turns up a likelihood of a shortage.

"This type of fraud is also difficult to detect, and, even when detected, is often almost impossible to prove. Nevertheless, the subject should be looked into by the CPA so that he can report back that there is a little or great likelihood of a shortage."

VI. Preference to Creditors

In many instances, Mr. Klubok notes, debtors are extremely careless in paying obligations, or not careless but designing, so as to give creditors preference. This is especially true when relatives are involved in the lending of monies to a business. Most frequently such relatives receive concealed preferences and the CPA must examine carefully all payments of sums over $100 within the four months prior to the insolvency proceedings. This is easily done by analysis of the record of checks disbursed.

VII. Tax Refunds, Carryback Claims

"Examination of the tax returns for prior years of the debtor is called a 'must.' The debtor in 90 cases of 100 got into difficulties because of operating losses, in a few situations because of slowness of accounts receivable or over-expansion, but these situations are not covered by the procedure to determine whether there are any possible tax refunds or carryback claims.

"If there are operating losses which can be carried back against prior years' income tax returns, the creditors may obtain a very substantial refund from the Federal Government to increase the assets of the debtor to be used for the payment of creditors' claims. This examination should extend back two years at least. Although at the present time a carryback can be taken back only one year, there is a proposal in the new act to carry the loss back two years.

VIII. Loan and Capital Accounts

"Often a debtor will withdraw sums of money from the business and charge them to his loan account or to his capital account after the money is actually put somewhere for safekeeping for subsequent use. Such withdrawal is very easily ascertained by examining the record of checks disbursed for at least five months prior to the audit.

IX. Fictitious Sales

"Whether there were any fictitious sales is easily determined by an audit of the accounts receivable and confirmations thereof. This is particu-

Tee Off on "Time"!

It has come, the "Play Now—Pay Later" plan for golfers. A. G. Spalding & Bros., Inc., has announced a national time payment plan for the purchase of golf clubs and accessories. Spalding distributors, dealer or pro, will be able to use the new service at no cost to themselves, says Donald H. Mudd, treasurer of the Chicopee, Mass., firm. Following an initial payment of 10 per cent by the purchaser to the Spalding dealer or pro, collections will be handled by Beneficial Finance System of Morristown, N.J.

Now we'll need more courses for the divot-ees.

larly important in the case where a creditor has advanced merchandise or has shipped merchandise which does not appear in the inventory and theoretically was shipped to a customer. Whether the sale was genuine is best decided by direct confirmation to the customer."

X. Assets Listed, Liabilities Determined?

The question whether *all* assets are accounted for and liabilities clearly determined is often overlooked in audits, says Mr. Klubok. By "all assets being accounted for" is meant the case of an individual proprietorship or a partnership wherein there may not have been a removal of any assets from the books but in which there may be personal assets which can be utilized or attached. These personal assets should be mentioned in the report. In the case of outside liabilities, it is important that the creditors know that all the liabilities are included. Liabilities which often are not included are contingent tax liabilities; there are also liabilities for loans being paid off but not reflected on the books. The knowledge of whether or not all the assets and liabilities are included is necessary for the creditman, the CPA points out, so that he may know whether to force an issue in connection with a proposed settlement or to operate the business for a maximum return to creditors.

"There have been many situations," he declares, "where debtors were involved in financial difficulties which worked out satisfactorily without having a CPA called in by the creditors. By and large, however, the great weight of authority shows that where there is no audit by a CPA in the case of the debtor difficulties, the creditors have not accomplished the greatest benefit in their own interests. They have worked in the dark, accepted information supplied by the attorney for the debtor.

"No sound and intelligent business decision can be made unless you have all the facts in the particular situation. It is the function of the CPA to supply those facts to the creditors' committee for a profitable business decision in the best interests of all."

Anti-Inflation Policy Hits N.Y. School Construction

Federal monetary policies may seriously block the state's school construction program, according to Arthur Levitt, New York state controller. The effect of the Federal Reserve Board's latest increase of the discount rate, from 2½ to 2¾ per cent, was to "make it virtually impossible for school districts to borrow money to finance school construction." The state fiscal executive asks for a revision of federal policies "to maintain guards against inflation but permit public construction to proceed."

Flood Insurance Coverage Unlikely, Says Victor Herd

The hope of flood insurance coverage by the industry appears doomed. "No flood insurance could be evolved on a sound and equitable actuarial basis," said J. Victor Herd, retiring president of the National Board of Fire Underwriters, and "it would be misleading to give the impression that the problem merely presents a challenge to insurers," with action possible in the future. This conclusion was reached after studies of the New England and Pacific Coast floods of 1955, the Kansas and Missouri floods of 1951, Mr. Herd said.

Fire losses in the United States again rose last year, to $885 million from $870 million in 1954, an increase of 1.6 per cent. A survey showed a larger number of fires occurred in cities of 1,000,000 and more population and those of 10,000 to 25,000 population. The principal cause of fire continues to be "matches-smoking." "Misuse of electricity" is second as cause but highest in total dollar loss, it was reported.

James C. Hullett, president, Hartford Fire Insurance Company, was elected president of the National Board at its ninetieth annual meeting, in New York.

Sosthenes Behn, A Name to Remember in World Finance

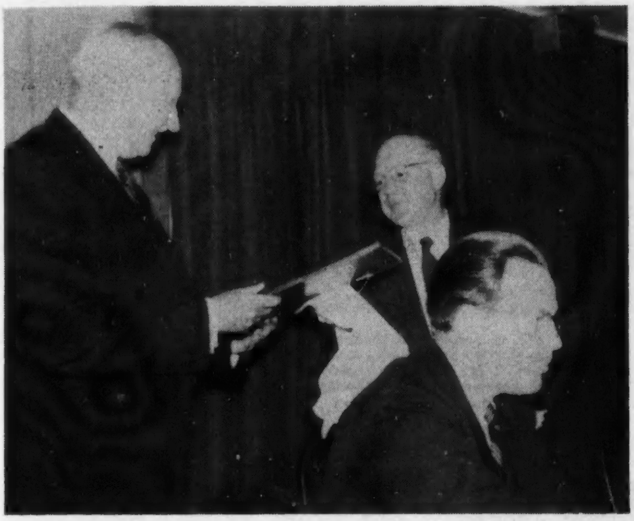
One of the 20th century's "giants of finance," Colonel Sosthenes Behn, who with his brother Hernand in 1921 founded the International Telephone & Telegraph Corporation, has retired as chairman of the corporation. Now 74, the Colonel (he earned his rank in World War I in the campaigns in France, where he was decorated for bravery), has seen the original two companies, in Cuba and Puerto Rico, grow to 33 worldwide enterprises with 67 plants, which include manufacturing and laboratory affiliates. The original investment has grown from $3,425,000 to total assets in excess of $687,000,000. Sales in 1955 were $448,378,000; consolidated net income that year was $23,070,000.

Mergers, purchases and concessions engineered by Colonel Behn, have furthered the growth of the organization. He became famous for skill in shifting foreign currencies from one part of the world to another. Even the waves of history have hammered against the Colonel in vain. Prior to World War II he saved the Rumanian Telephone Company from the Nazis. In the 1940's in a deal with Peron, he sold the IT&T system in Argentina to the government for $94,000,000, cash. In 1945 he sold the Spanish Telephone Company to the Franco Government for $57,000,000 plus $26,000,000 in blocked currency credits.

Colonel Behn, of Danish-French ancestry, is a native of St. Thomas, Virgin Islands, and a U.S. citizen.

If you are calm and collected while others are losing their heads—maybe you just DON'T UNDERSTAND the damned situation!

—Anonymous



PLAQUE for 25 years of credit leadership is received by Henry H. Heimann (left) NACM executive vice president, from Arthur F. Gerecke, "Post-Dispatch," then St. Louis Association president. In foreground: the 60th anniversary guest speaker, Dr. Gabriel Hauge, President Eisenhower's administrative assistant for economic affairs.

A MATTER OF PRINCIPLE. NACM president-elect, Irwin Stumborg, "pours" for Frank E. Byrne (left), Cannon Mills, New York, and William M. Edens, Continental Illinois National Bank & Trust Co., Chicago. Mr. Byrne (NACM) drafted the jointly adopted Statement of Principles and Mr. Edens (Robert Morris Associates) the Statement of Confidence and Considerateness.

A SESSION of the Chemical and Allied Lines Group, one of the Industry Meetings at the Credit Congress in Cincinnati.

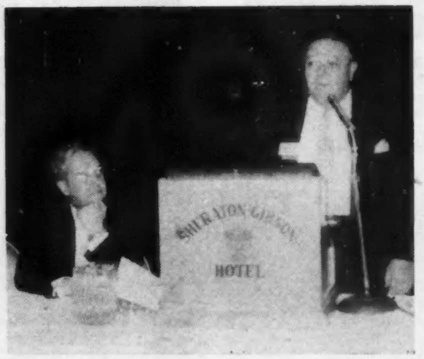
ED JOHNSON (left) receives NACM silver tray, for 28 years of service as secretary-manager of Portland Association of Credit Men, from John S. Smith of Tidewater Associated Oil Co., a National director 1952-55. Interested onlooker: J. K. Byerle, Hills Bros. Coffee, Inc., assn. president.

R. E. PRATT (center), Fischer Lime & Cement Co., Memphis, receiving award as "Zebra of the Year" from Millard French, E. L. Mercere, Inc., newly elected Grand Exalted Superzeb. At right: J. H. Bryan, Memphis association secretary-manager.

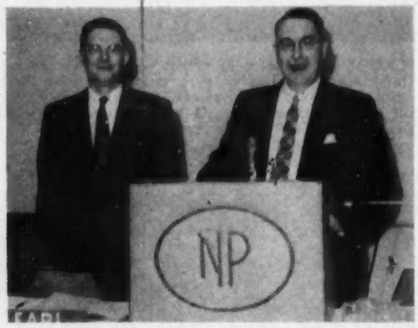
PANELISTS of Paint, Varnish, Lacquer and Wallpaper Group. Standing (l to r) P. H. Harn, Lowe Bros., Co., Dayton; W. J. Dickson, NACM, moderator; E. H. Ward, Sherwin-Williams Co., Cincinnati; W. W. Beuther, Sherwin-Williams, chairman. Seated: R. N. Tice, Pittsburgh Plate Glass Co., Treasury Department representative; R. H. Oakley, Glidden Co., Cleveland.

AUTOMOTIVE session. (l to r) Paul L. Snyder, Electric Auto-Lite, Toledo; Miss Mamie Perron; Ben Keam, Jr., Monarch Auto Supply Co., Covington, Ky., chairman; J. W. Marsteller, De Vilbiss Co., Toledo, moderator; Alvin H. Tanner, Hart Automotive Parts, Chattanooga. Miss Perron is secretary of the Muskegon Association of Credit Men.

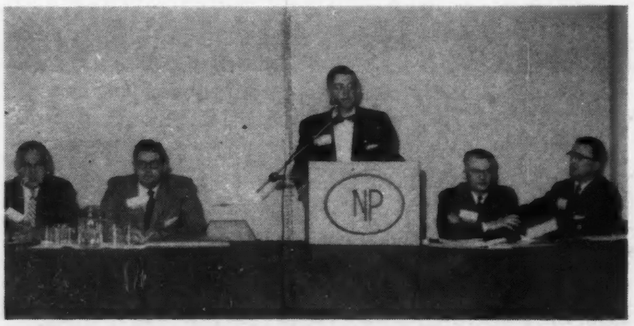
HARDWARE WHOLESALERS speakers. (l to r) M. V. Nicholson, Louisville Credit Men's Association, and William Kull, Kruse Hardware Co., Cincinnati, chairman. Mr. Kull was moderator of a general panel discussion.



OPENING SESSION of Building Material and Construction Group. Joseph L. Wood (right), Johns-Manville Corp., New York; L. J. Francisco, The Formica Co., Cincinnati.



CHAIRMAN and vice chairman, Food Products and Allied Lines Manufacturers. (l to r) R. L. Wagner, Frank Tea & Spice Co., Cincinnati; D. W. Earl, Thomas J. Lipton, Hoboken. A panel discussed sectional trends.



SPEAKERS, Iron and Steel, Non-Ferrous Metals and Related Lines. (l to r) R. E. Coulter, Aluminum Co. of America, Pittsburgh; L. W. Bicking, Detroit Steel Corp.; W. A. Duvel, National Credit Office, New York; R. D. Smith, Republic Steel Corp., Cleveland; L. K. Morse, Bridgeport Brass Co., moderator, National director. Mr. Morse led the discussion at the afternoon panel session. Mr. Duvel spoke on enigmas in credit operation.

SPEAKERS, Electrical and Electronics Mfg. Seated (l to r): W. J. Jiles, Crosley & Bendix Home Appliances Div., Avco Mfg. Corp., Cincinnati; D. B. Shaw, H. W. Sams & Co., Indianapolis; W. E. Gallagher, Bussmann Mfg. Co., St. Louis; J. B. Holden, Westinghouse, Mansfield. Standing: R. E. Clark, Joslyn Mfg. & Supply Co., Chicago; H. C. Starr, Trade-Wind Motor Fans, Inc., Rivera, Calif.; R. A. Mattson, Belden Mfg. Co., Chicago.

TEXTILE speakers. (l to r) J. C. Osborne, Trust Co. of Georgia, Atlanta; Blanche M. Bixby, American Fabrics Corp., Bridgeport; F. E. Byrne, Cannon Mills, Inc., New York; H. Emrich, Woodward Baldwin & Co., New York; J. J. Brown, Catlin Farish Co., New York, chairman; S. H. Millman, Silver Millman & Co., Chicago; T. E. Baggott, Herbert Lawton & Co., New York; W. C. Hornickel, L. F. Dommerich & Co., California Corp., Los Angeles.

PETROLEUM GROUP PANEL. (l to r) J. Allen Walker, Standard Oil Co. of California, San Francisco, NACM vice president Western Div.; W. H. Montgomery, Pure Oil Co., Chicago; J. P. McLaughlin (standing), Richfield Oil Corp., Los Angeles; H. E. Butcher, Cities Service Oil Co., Chicago. Mr. Walker spoke on "Developing a Credit Organization."

SPEAKERS, Drugs, Cosmetics and Pharmaceuticals session: Seated (l to r) L. J. Ashby, McKesson & Robbins, Los Angeles; H. H. Rasmussen, Emerson Drug Co., Baltimore; E. T. Carlson, Johnson & Johnson, Chicago. (Standing) D. R. Collins, E. R. Squibb & Co., New York; D. Weber, Davis Bros., Denver; E. C. Harding, Chesebrough-Pond's, Clinton, Conn.; Walter A. Lange, Milwaukee.

ADDRESSING Fraud Prevention Committee is Irwin Stumborg. (l to r) W. J. Schmid, assistant prosecuting attorney, Hamilton county, Cincinnati; Mr. Stumborg; F. W. Zander, U. S. Plywood Corp., New York; S. A. Stein, president, Congress Factors Corp., New York; J. J. Brown, Catlin Farish, Inc., New York; John C. Fredell, Department director. In foreground: M. J. Davis, executive vice president, N. Y. Credit & Financial Management Assn.

BREWERS, DISTILLERS AND LIQUOR WHOLESALERS. (l to r) Panelists M. M. Johnson, Brown-Forman Distillers Corp., Lexington, Ky.; Clem Faine, Fifth Third Union Trust Co., Cincinnati; Lawrence Holzman (standing) secretary, San Diego association; and W. S. Allison, American Distilling Co., Pekin, Ill., chairman. The topic: "Credit and Banking Relationships."

CHAIRMAN, Bankers Group, Odell L. Bernius, Fifth Third Union Trust Co., Cincinnati.

ADVERTISING MEDIA. (l to r) C. C. Rule, Seattle Times, chairman; R. Bruce De Wese, Memphis Publishing Co.; A. Imsande, Cincinnati Enquirer; Morris W. Coffman, Dayton News-Journal Herald. "Transient Advertising" was the forenoon topic; "Teamwork with Sales," afternoon subject.

ANNUAL BUSINESS LUNCHEON of Members of National Credit Women's Executive Committee. (l to r) Mrs. Ruth Smith, Tulsa; Misses Irene Harris, Milwaukee; Dortha Betts, Toledo; Edith Leonard, Boston; Mrs. Loretta Johnston, Cincinnati, chairman of Credit Women's activities of Credit Congress; Misses Kathryn Sirc, Cleveland; Atley New, Atlanta; Marie Ferguson, N. Y.; Antoinette Rehrauer, Chicago; Dorothy Dodd, Cincinnati; Hilda Carlson, Des Moines; Marie Louise La Noue, New Orleans; Mrs. Mary McGraw, Binghamton, N. Y.; Miss Dorothy Blank, San Diego; Mrs. Elizabeth Rowland, Philadelphia; Mrs. Alfa Sethaler, Denver; Mrs. Beath Robinson, Chattanooga.

PUBLIC UTILITIES. (l to r) O. J. Vosbrink, Union Electric Co. of Missouri, St. Louis; F. Flom, Detroit Edison Co., NACM director; C. W. Kroener, Southern Indiana Gas & Electric Co., Evansville, NACM director; E. R. Johnston, West Penn Power Co., Pittsburgh; Ray Bachus (retired), Cincinnati Gas & Electric Co.; E. H. Davies, Cleveland Electric Illuminating Co., past chairmen.

GATHERED after a session of the Textile Group. (l to r) C. Callaway, Crystal Springs Bleachery, Inc., Chickamauga, Ga., past NACM president; Charles Bittman (retired), Cone Mills, New York; J. J. Brown, Catlin Farish Co., Inc., New York; William Fraser (retired), J. P. Stevens & Co., New York, past NACM president; John B. Schoenfeld, Forstmann, Inc., president, N. Y. Credit & Fin. Mgt. Assn.; S. A. Stein, president, Congress Factors, Inc., New York; J. L. Kaiser, Dan River Mills, N. Y.

Trends

in commerce **in industry** **in finance**

A Note for Meditation

THE FEDERAL Government's spending programs "will probably account for 16 per cent of the gross national product during the current fiscal year."—From "Business Trends," Federal Reserve Bank of Cleveland.

The "If" in Tax Cuts

CLOSE and careful study of the economic outlook and conservative estimate of a "substantial surplus" in the 1955 cash budget should precede any decision to reduce taxes, says the research and policy committee of the Committee for Economic Development.

If such a review shows that "only a small surplus in the cash budget can be expected in fiscal 1956-57, no tax cut should be made, unless there is a marked reversal of economic conditions which requires strong action to combat recession."

And when tax reduction does become possible, "the opportunity should be used to make a balanced move towards a better tax structure."

Common Machine Language

FIRST PROBLEM crying for a decision is adoption of a common machine language which can be read by check-handling equipment in any bank, regardless of what manufacturer produced it, all ABA member banks were advised by the association's technical subcommittee of the bank management commission.

Cars and Rebounds

THE AUTOMOBILE industry will bounce back after this year's setback and in five years will outdo the 1955 business. This from Henry Ford II, president of Ford Motor Company, to 2,700 of the company's new stockholders since the Ford stock was opened to purchase by the public.

That was the long-term prospect. For the remainder of this year he drew a different picture, predicting 1956 domestic sales of new cars at fewer than 6 million units, contrasted with the 7,408,000 of banner 1955. He called auto production a "negative factor" at least until the fourth quarter.

Note: The 1956 estimate (and Harlow H. Curtice, General Motors president, recently forecast 5,800,000 new units for this year) would still make 1956 the third best year ever, under only 1955 and 1950.

Mr. Curtice, by the way, urged more emphasis on "basic research, pure research," at the opening of the $100 million technical center of General Motors near Detroit.

Inflation or Not Inflation?

"WE ARE LIVING in an age that can be either one of inflation or of general price stability, depending on the courage and wisdom that private citizens and government officials bring to their responsibilities." according to Arthur F. Burns, chairman of the Council of Economic Advisers.

At the same time cautioning against certain current developments, in addressing the National Federation of Financial Analysts Societies, President Eisenhower's chief economic adviser said:

"When an economy is poised on a very high plateau, as ours has been in recent months, the threat of inflation cannot be very far distant. The like, unhappily, is also true of the threat of recession.

"Aggregate economic activity is now proceeding at peak levels, but divergent movements are going on beneath the surface." While capital expenditures by business have been rising rapidly and government expenditures also have been upward bound, "home-building and retail trade have been somewhat sluggish... Developments in prices, inventories and retail trade will bear watching in coming weeks and months."

Into the Open

"We urge shoplifters to stay away, if only for their own good. Our store detectives know all the tricks and 85 per cent of those arrested are prosecuted."

Under the heading "Crime doesn't pay," Wallachs, New York clothing retailers, in a copyrighted advertisement in the Times broke away from the traditional silence on the bane of retail operation.

"Shoplifting," said the message, "is a good deal more common than you would believe, and the losses, unless guarded against, can become astronomical."

Keep Credit Guard Up!

"SOME MILD INFLATION" of prices already has taken place, and any relaxation of credit restrictions now would "be an open invitation to open inflation," Dr. Lester V. Chandler, economics department chairman at Princeton University and a director of the Philadelphia Federal Reserve Bank, told the Pennsylvania Bankers Association.

Walter B. French, senior deputy manager of the American Bankers Association, declared that "any Government participation in private credit leads to inflation, for lenders are inclined to accept risks which otherwise they would not do, and all because of a Government guaranty."

Signs of the Times

THE 4.5 percent fiscal year increase over 1954 brought New York City's department stores their record dollar volume of business. Best figures among merchandising groups were recorded by men's wear and home furnishings.

Ernest A. Rovelstad

Add "C" for Constructive Credit in Farm Equipment Sales; It's Extending Acceptance for Production Tool

With financial management obligated to make certain that, when money is being placed in the category of loans, such action is constructive, International Harvester Credit Corporation's Herman Ebsen nominates CONSTRUCTIVE CREDIT for the fourth "C", to stand alongside Character, Capacity and Capital. The vice president of IH's credit unit and parent company's credit manager believes no type of credit better qualifies for this fourth "C" than farm equipment credit.

HERMAN EBSEN

"When you extend credit for farm equipment," notes Mr. Ebsen, "you are not extending consumer credit acceptance. Rather, you are extending production credit acceptance, to enable a farmer to obtain a machine which will not only substantially pay for itself in use but will increase his production and his income.

"As machine tools are the capital equipment or production tools of a manufacturer, so is farm equipment the capital equipment or production tool of American agriculture."

In a consideration of problems in financing the sale of capital equipment, specifically farm equipment, Mr. Ebsen notes that milestones in American agricultural development are "the result primarily of mechanization." He cites statistics: "Farms are larger and fewer; there are fewer people living on the farms; there has been an actual increase in the number of acres included in the farms." The farmers' balance sheet shows, according to Department of Agriculture figures, that assets trebled between 1940 and 1954, as did net worth, whereas liabilities advanced to $17.1 billions from $10.0 billions.

True, farm prices and farm income have declined in the last three years, but Mr. Ebsen emphasizes that prices for farm products are still markedly above the 1935-39 average.

"In discussing the effect of mechanization on the farm, consideration must be given to the part credit has had in making all this possible," Mr. Ebsen observes. "When Cyrus Hall McCormick started to sell his reaper in the early 1840's, the average farmer simply did not have the cash with which to purchase the equipment. Banks were skeptical about making loans for such machines. Mr. McCormick began selling reapers on a time payment basis, one of the earliest examples of instalment selling.

"He found that this type of credit was sound because it was based on a principle which is still true today in farm equipment financing — *constructive credit.*"

Stressing the bank's role in this field, IHCC's official says, "We encourage our dealers to finance with banks, and encourage banks to accept the responsibility of producing this financing. IHCC has found it necessary to provide a considerable amount of inventory financing for its dealers. Many banks who are in a position to do a complete job of financing retail sales simply cannot extend adequate credit to dealers to cover their inventory requirements. We have many points where the banks lending limits are $20,000 to $25,000. Most of our dealers require $50,000 to $75,000 in floor plan credit at certain seasons of the year."

"Financing of retail sale is handled almost entirely by banks and others," Mr. Ebsen adds. The company's retail note balance diminished from 52.33 per cent of sales in 1939 to 2.77 per cent in 1954. "The paper we receive generally represents contracts which banks were not in position to accept for one reason or another.

THE vice president of International Harvester Credit Corporation, Herman Ebsen, joined the Harvester organization in 1931 as a salesman, but transferred later to the credit and collection department. In 1933 he advanced to assistant credit manager, in 1936 to credit manager at Dubuque, later at Davenport. In 1946, with the rank of major after four years' Army service, he returned to Harvester and served for a time on the staff of the company's central training school in Chicago. In 1946 he was made credit and collection manager of the company's northwest region. Since 1953 vice president of International Harvester Credit Corporation, Mr. Ebsen also serves as manager of the parent company's credit and collection department.

New Farm Equipment Paper

"Our Credit Corporation accepts new farm equipment paper from its dealers without recourse. Our experience with such paper has been most favorable. Our losses during the past two years have been approximately 0.18 per cent.

"Inventory financing, which to a large extent has been handled by us, can be profitable to banks to the extent they have the ability to handle this type of financing. We have financed millions of dollars in inventory for our dealers, covering not only farm equipment but motor trucks, crawler tractors, and refrigeration. Our losses have been practically nothing (in the recent two years, .009 per cent one year and .008 per cent the other year).

Sound Financing Cues

"If we are to continue to improve the condition of the American farmer, reduce his operating costs, and provide the food and fiber for not only ourselves but a large part of the world, it will require that banks or others make financing available on a sound and proper basis." Manager Ebsen includes these among his recommendations to bankers for developing plans for the sound financ-

(Concluded on page 32)

ON THE

Personal Side

C. E. IRELAND

H. S. THOLEN

F. B. MATTINGLY

W. C. STUMPF, JR.

HENRY S. THOLEN, who began with Hamilton Watch Company, Lancaster, Pa., in 1952 as general credit manager, has been named director of sales for the company. In April 1954 Mr. Tholen was advanced to assistant secretary and assistant treasurer. He is an alumnus of the University of Notre Dame, Northwestern University graduate school, and the NACM Graduate School of Credit and Financial Management, Wisconsin, 1949. Before joining Hamilton Watch he was with Florsheim Shoe Company, Chicago, 2½ years.

C. EDWIN IRELAND has been named general credit manager, assistant secretary and assistant treasurer, to succeed Mr. Tholen. He is a graduate of the University of Pennsylvania and the advanced management program of Harvard University. Before joining Hamilton as assistant controller in 1953 he had a similar post with Scott Paper Company, Chester, Pa.

WILLIAM G. KROMER has been advanced to assistant treasurer, The Quaker Oats Company, Chicago. General credit manager since 1948, Mr. Kromer will continue to supervise the company's credit operations. Twenty-nine years ago he began with the company as a clerk in the Chicago statistical department. He is a director of the Chicago Association of Credit Men and the National Food Manufacturers credit division, member American Feed Manufacturers credit committee, past chairman of National Feed Credit Group and National Food and Allied Lines Credit Group.

S. A. PAINE

W. G. KROMER

K. A. ROUSE

T. H. SCOTT

S. A. PAINE has been appointed secretary-treasurer, Screw Products Corporation, Dallas. He will continue to discharge the duties of credit manager. A graduate of Southern Methodist University (B.B.A. 1950), Mr. Paine was a bookkeeper with Eastman Products Corporation from 1951 to 1955, before his appointment as assistant credit manager of Screw Products. He succeeds C. J. Schexnayder, who has resigned to devote all his time to duties at Eastman Products.

THOMAS H. SCOTT has been named branch manager of B-W Acceptance Corporation's new office at Charlotte, N. C. He will be responsible for retail and distributor financing operations of Norge Division, Borg-Warner Corporation, in a four-state area comprising all of North and South Carolina and parts of Georgia and Tennessee. Before joining B-W Acceptance in 1955 he was with General Electric Credit Corporation, Memphis.

KENNETH A. ROUSE has been designated vice president of A. B. Dick Company of New York, Inc., new subsidiary of the A. B. Dick Company, Chicago.

WAYNE D. NEATHERY has been named secretary and treasurer of Victor Manufacturing & Gasket Company, Chicago.

FRED B. MATTINGLY, formerly manager of the credit and collection department, International Harvester Company, Chicago, has been appointed director of credit and collections and prices and contracts. He continues as president of the company's financing subsidiary, International Harvester Credit Corporation.

HERMAN EBSEN succeeds Mr. Mattingly as manager of the credit and collection department. Since 1953 Mr. Ebsen had been assistant manager of the department.

WILLIAM C. STUMPF, JR., has been advanced to vice president-treasurer of Jessop Steel Company, Washington, Pa. He formerly was controller and secretary-treasurer. Mr. Stumpf also is secretary-treasurer of the company's wholly owned subsidiaries: Jessop Steel International Corporation and Jessop Steel of Canada, Ltd.

Three officials of the Charles R. Hadley Company, Los Angeles, elected to the board of The Todd Company are: ROBERT R. WEBB, executive vice president of Hadley; A. E. STIMSON, secretary and treasurer, and WILLIAM C. JOHNSON, general sales manager. Both firms are subsidiaries of the Burroughs Corporation, Detroit.

CHARLES E. HAFF has joined the executive staff of Jewelers Acceptance Corporation, New York, of which Beardsley Ruml is president. Mr. Haff formerly was with Commercial Credit Corporation and James Talcott, Inc.

Lydon Olson has been elevated to vice president, The First National Bank & Trust Company, Oklahoma City, from assistant vice president. He is director of the bank's credit department. Mr. Olson began in 1929 as a page and, except for World War II service, has been with the bank continuously, working up through different departments, including stockroom and teller's desk. He is vice president of the NACM, Oklahoma Division, and member of the Robert Morris Associates.

J. Peyton Barfield has been named vice president, general manager and treasurer, Higginbotham-Pearlstone Hardware Company, Dallas, to succeed the late O. H. Mann. With the company since 1935, Mr. Barfield has worked in different departments and on the road, becoming vice president in December 1955. He also is a director in the company. He attended Baylor University and in World War II was an aviator in the U. S. Navy Reserve, serving with the Pacific Fleet.

Louis Motz, district credit manager, Armour & Company, Sioux City, has retired after 40 years with the company. He began with the meat packers' Omaha unit in May 1917 and six months later was transferred to Sioux City to take charge of the credit department there.

Mr. Motz has a long record of activity for credit progress. He is a past director of the National Association of Credit Men (1938-41), and twice served as president of the


LYDON OLSON


D. M. KLADSTRUP


K. J. HOESTEREY


H. C. DIXON

NACM Interstate Division, Sioux City (in 1921 and in 1932). While a National director he organized the legislative committee for par clearance of checks in the State of Iowa and saw that fight brought to a successful conclusion.

First employment in the business world for Mr. Motz, now 69, was with Union Pacific Railway in freight claim auditing, as a junior civil engineer for three years, and five years in the packing house industry in accounting and credit work before he joined Armour.

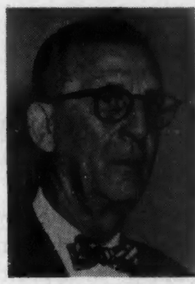
C. N. Aalfs has been appointed credit manager to succeed Mr. Motz at the Sioux City plant. Mr. Motz was district credit manager and had other units under his supervision.

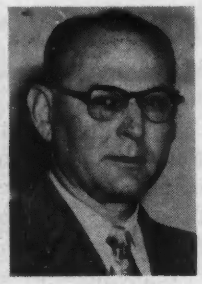
Mr. Aalfs, 51, has been with Armour since 1927. He was associated with his predecessor in the credit department at times between 1927 and 1945, and also worked in sales units. An Iowan, he attended Morningside College and the State University of Iowa.

The First National Bank of Jersey City (N.J.) has appointed **William W. Foulkes, Jr.** a vice president in the consumer credit department. Mr. Foulkes previously had been vice president of Hudson Trust Company, Union City, N. J. A graduate of Virginia Polytechnic Institute (1931) and of the graduate school of banking, Rutgers University, he worked for American Tobacco Company, S. S. Kresge Company, and Personal Finance Company of New York before being called to active duty with the Army in World War II.

Thomas J. Carlon has been appointed an assistant vice president in the Hoboken office but he will be concerned with the overall business development program of the bank. He attended Georgetown University and the American Institute of Banking, and previously had been with First National of Jersey City from 1950-53, when he left to go with First Camden National Bank.

In promotions within the credit ranks at Eastman Kodak Company, announced by R. Lynn Galloway, general credit manager, **Donald M. Kladstrup** has become assistant to the general credit manager. **Kenneth J. Hoesterey** has been named midwestern regional credit manager,


LOUIS MOTZ


C. N. AALFS


J. P. BARFIELD


W. W. FOULKES, JR.

to succeed Mr. Kladstrup. **Henry C. Dixon**, formerly regional credit assistant, takes over the credit office supervisor post formerly held by Mr. Hoesterey.

Mr. Kladstrup, with Kodak since 1939, was for more than eight years treasurer and office manager of Kodak Hawaii, Ltd. In January 1955 he rejoined the credit department in Rochester as regional credit manager for the midwest. Mr. Hoesterey, also with Kodak since 1939, had varied assignments in management before becoming a member of the credit department in 1953.

S. Kelsey MacArthur has been named vice president and treasurer, Lampson Lumber Company, Inc., New Haven. He previously had been vice president and assistant treasurer. Mr. MacArthur is a vice president and director of the Progressive Savings and Loan Association of New Haven, past president of the New Haven Association of Credit Men and past treasurer of the Connecticut Association of Credit Men.

PERSONNEL MART

Credit Executive Available

Presently Asst. Treas. — charge credits nat'l co., multi-plant operation, divers products, sold regular & extended terms, some title retention, domestic & foreign. Demonstrated ability, imaginative, sales minded. Immed. available. Will relocate. Salary open. Address CFM Box 429.

(Additional "Personnel Mart" news on p. 37)

J. H. DONOVAN

BEGUN ON PAGE 10

attempting to evaluate our customer's relative position in his industry.

Up to this point, we have given rather casual recognition to financial and operating statements. After direction of attention to factors which appear properly precedent to strictly financial considerations, we should turn our thoughts to our customer's earning record.

If possible, we should be in a position to review earnings records over a number of years, and, after proper allowance for any unusual circumstances, look at the results in the light of the disposition of the earnings. Has there been a prudent and realistic dividend policy? Have earnings been retained in the business, to the extent possible in consideration of other cash requirements, in proper proportion to the needs dictated by improvement and enlargement of plant, equipment and products? Might they have been retained simply to create a favorable current position, with consequent possibly unfavorable effects on development within the company and within the industry?

Everything about which I have spoken up to this point has its final reflection in our customer's balance sheet. A series of balance sheets will give us a rather accurate picture of the efficiency and capability of management.

Returning to our original premise of the opportunities presented to credit executives through customer relations, I think that we can best develop a comprehensive and intelligent understanding of business management and its results and effects through personal visits and personal acquaintanceships.

By attempting in this way, impartially and consistently with sound business practice, to evaluate the factors and circumstances suggested by these necessarily broad and general aspects, we can assist in full service to our customers and meet our responsibilities to our companies.

J. H. HILF

BEGUN ON PAGE 11

instances solve a present problem and enhance future relations as well.

A "social" call on a customer can accomplish many results.

(1) Personal appraisal of top individuals or the "wheel" in the customer's organization.

(2) A look at the customer's plant, his products, and general housekeeping is always valuable.

(3) General information regarding the customer's product distribution, seasonal markets, etc., often presents a somewhat different picture than has been available through your own sales people.

(4) The customer's comments on trends in his particular industry, in the way of demand, market area, style or design changes, are always of general interest.

(5) A social call, even with no particular object in mind, always affords an opportunity personally to thank the individual responsible for his handling of your account in the past, and affords him an opportunity to take out the hatchet, so to speak, if he has any gripes or suggestions regarding the general service or attitude of your company.

(6) Such firsthand or personal meeting always paves the way for easier approach by letter or phone if needed later.

(7) Calls of this nature should always be followed by an appropriate letter, in appreciation of courtesies extended and time spent with you.

(8) Be a good listener. Many an interesting fact is disclosed by a customer when talking about his business and prospects for the future, facts that you would find difficult to secure by direct questioning.

Going Through His City? Drop In!

The practice of making a socalled "social" call on a customer, while on your way through his city enroute to another point, is well worth the little additional time taken. It is a practice that has been long neglected and will go a long way toward correcting an impression that the only time you see the credit executive is when real trouble is present.

You are just as much a representative of your company as your salesman. Therefore, make use of opportunities to obtain at least a passing acquaintance with the customer or the individual in his organization with whom you are called upon to do business of a very vital nature at regular intervals.

Such social calls, as well as the diplomatic handling of necessity calls, give the credit executive excellent opportunities to do a better job for both your company and your customers, and to cement your customer relations.

E. B. GAUSBY

BEGUN ON PAGE 9

better, but he can meet and talk with those who will be his customers in the future.

The sales executive and other company officers carefully plan the annual or seasonal distributor-dealer meetings. No expense is spared in making these group conferences successful. Does the credit executive help in this planning? Does he have a place on the program? Is he present at all of the meetings to discuss mutual problems with his distributor-dealer customer? He should be.

Another method of calling on your customers is by correspondence. The reference is, of course, to the communication that goes beyond the regular day-to-day credit department letter, although on occasion the two can be effectively tied together.

The Congratulatory Letter

The first group is known as the appreciative or congratulatory letter.

The form letter which expresses appreciation for prompt payments during the year has merit. Even better is the personalized letter commending your customer upon recovery from a financial crisis. The Christmas card or letter has a certain appeal to many. The thank-you letter, when the customer has kept a payment promise under difficult circumstances, has a longer lasting effect.

There are many other special occasions that can be used effectively. Should your customer exceed his sales quota, open a new branch office, run a particularly good advertisement, receive an honorary award, etc., a congratulatory letter makes a very worthwhile call on him at a time he is eager and pleased to hear from you and his other friends.

A second group is sometimes called the offer of assistance or the counseling letter. This type is particularly helpful to the smaller customer.

Here one finds an offer of help in the form of specific,

concrete suggestions for improving the customer's operating performance. The ideas relating to credit and collection methods, credit limits, handling past due accounts, etc., can be drawn from the credit executive's own background and experience in credit work. Ideas involving accounting, taxes, legal problems, inventory control procedures, may require the help of specialists in your organization. It makes little difference who actually does the work, just so the credit executive is the one who originates and maintains the contact with his customer.

"I Thought of You" Letter

The third group might be labeled the general interest or the "I thought of you" letter.

Only a simple accompanying letter is required, which contains wording equivalent to "When I saw the attached article I thought of your problem." In this manner it is possible for the credit executive to forward a great variety of material, such as magazine clippings, reprints, photographs, charts, contract forms, sales promotion items. The only requirements are that exceptionally fine material should be used and the subject matter should be of direct interest to the customer.

Certain parts of this "Make More Calls on More Customers" program can be handled within the credit department itself. Other portions require the help and techniques of advertising, publicity and sales promotion experts if the program is to be successful. The important first step is to make a start in this direction. By so doing, you can very quickly start making extra calls on your customers which, of course, will be in addition to any personal visits that are required.

O. W. HARIGEL

BEGUN ON PAGE 8

statement, "Do you mean to tell me that you came all the way from Houston to Chicago just to tell me you appreciate our business?" After an experience like that, do you wonder why I am so thoroughly convinced that one oral "Thank you, sir" is worth more than a hundred letters.

The "Creative" Call in Action

The third type I like to think of as the "creative call." Why did I use "creative" to describe this class? I chose that word because in making calls of this kind—and I frankly admit they are the most challenging ones to make—you try to create a desire in the mind of your customer to take that certain action or series of actions you want him to accomplish. You and I know we are more prone to put an idea to use if we believe the idea is original with us.

Let's look at an example for just a moment. You have a long-time customer, an honorable man but a crusty individualist. Financial statements show the liquidity of his business is being strangled by increased sales. The statements also show a substantial investment in his business home, and that it is almost free of debt. Sure, you know the solution to his problem, but you'd have about the same reception as a kitten in a dog pound if you tried to tell him what he ought to do.

You open your conversation by telling him how happy you are to see his sales volume increasing. Adroitly lead on by saying you know he isn't so naive as to believe the good fortune of expanding sales brought an end to his financial problems, and that you certainly are sympathetic to the needs, which he will by this time have expressed, for additional funds for larger inventory and receivables. Carry on by agreeing with him that the high tax rate on income does not permit the retention of much of his earnings, and you too feel he was wise in not wanting to dilute his control of the business by bringing in outside investors.

At this point, when he knows you are well disposed toward his feelings, you lay the foundation for your idea by telling him a story you heard at a meeting several months ago, about how a certain businessman who needed additional money had thawed out a sizable amount of cash frozen in his land and buildings by selling them to an investor and simultaneously executing a long-term lease for occupancy of the quarters. You would tell how your narrator had emphasized the fact that the profits accruing from this heretofore unavailable capital, plus the relief from tax, insurance and upkeep expenses, substantially exceeded the rental payments.

You'd go on by saying that, if you had been that businessman, you'd have organized a separate corporation to buy the property with a long-term mortgage, thereby gaining all the advantages of the first maneuver but also retaining control of the property.

You turn the conversation to other things. You've accomplished your mission. You've planted the seed of not one but two ideas. In doing so, you have not insisted or even suggested he consider either one. But believe me, he'll think about them both as possible solutions to his dilemma.

Forestalling Later Problems

Quickly now, let's review your accomplishments. You've lauded his success, you've created an image in his mind, you've respected his independence. Does someone ask why? Why, to forestall a possible later collection problem and the corollary restriction of volume and profit.

Of course, there are many variations of this approach. It is only a hope that the cited example may serve as a prototype.

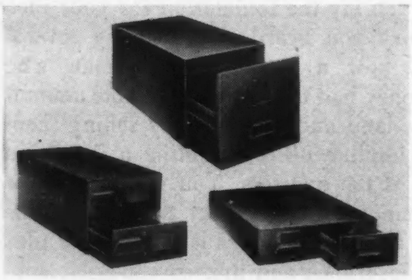
We as credit executives must be relentless in our search for ways, means and methods to keep our credit processes geared to these changes. There is an old adage which says, "We learn by doing." I'd like to amend, or rather expand, that phrase to: "We learn by doing and by watching others do." The stores, plants, shops and warehouses of our customers are fertile fields in which the alert credit man can reap rich harvests. A process seen here, an adaptation there, an idea expressed in still another place, a method described elsewhere—all are gems to make your crown of knowledge gleam more brightly.

But remember, these ore fields are not in your office. Just as Mohammed had to go to the mountain, so must you go to your customer. Unless you have a comprehensive understanding of all the facts concerning your customer, you cannot fairly and justly administer the credit relationship he has with your company. There is only one spot where all the facts are in focus. That's in your customer's place of business. That's why we want to see cobwebs on the credit man's office chair—not on his brief case.

Modernizing the Office

New Equipment to Speed Production and Reduce Costs

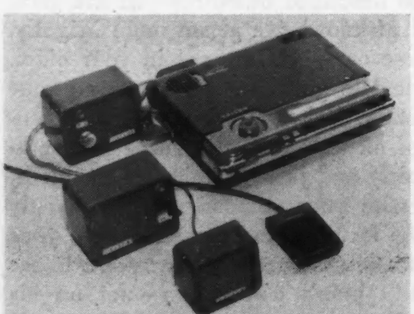
Nylon-Glide Transfer File



302 The "G300" series nylon glide steel transfer files now are available from Dolin Metal Products, Inc. in 44 stock sizes in three different styles. The space-saving "G300" series, considered ideal for low reference records, has nylon glide bearings for smooth, quiet drawer operation, duo-vision card holder enabling the use of either 2x3 or 3x5 cards and a drop handle permitting greater aisle widths. A companion series, the "500" line, is recommended for the "front office" look and the "R400" series for behind-the-scenes records installations.

New Style Dictaters

303 New Secretarial, Executive and combination executive - secretarial models in the Edison "V.P." Voicewriter line make machine dictating easier, more attractive. The book-size Secretarial has an index panel angled, lighted and colored for maximum ease of use. Index slip "magnifies" the recording disc four times and slide-rule index pointer enables pinpoint accuracy in scanning. Accessories shown with the V.P. Voicewriter dictating-transcribing model are a telephone recording unit, conference recorder with foot control and extension "mike." This setup allows recording of personal dictation, phone conversations and conferences without unplugging any unit. Colored covers to match executive suite décor.



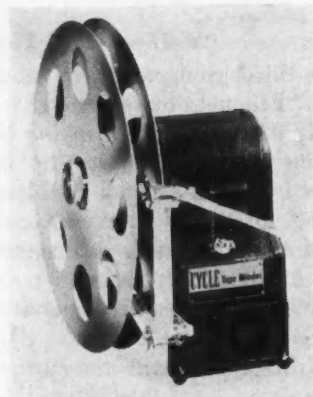
Low Cost Photocopier

304 Simplicity of operation and low cost are two features of the Verifax Signet Copier which now extend the practical use of photocopies to the smallest firm, as well as to decentralized operations. Anyone can reproduce correspondence, invoices, schedules or other documents up to legal size, after only 5 minutes' instruction,

says the manufacturer, Eastman Kodak Company, and several copies of any document may be produced in one minute. The unit also is adaptable for intermediates or masters for diazo-type printers and offset plate production for office-type duplicators. Priced lower than a standard typewriter, the Signet is operable in ordinary room light.

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

For All Tape-Minding



305 The automatic Universal Tape-Minder of Cycle Equipment Company handles a wide range of tape widths and kinds—teletype, ticker, automatic typewriter, accounting, computer, chad, chadless. Tape can be fed to the machine from above or below, right or left side, from front or back, underneath or even (with accessory guide) at right angles to the reel. Exclusive delayed action winding feature runs motor only about one-sixth of total operating time. Three sizes of winding reels are available and are interchangeable on the basic machine.

Nylon Bearings on File

306 Operating advantages of the new Diebold, Incorporated nylon-glide all-steel tab card files include positive compressors that hold cards flat and keep them in perfect shape for use in sorting machines and nylon bearings which assure smooth, lifetime drawer operation, with no lubrication needed. Easy grip carry-bar makes it easy to transport loaded

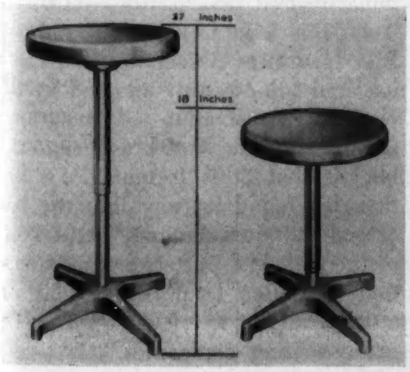
drawers without danger of spilling cards. Units can be locked together top-to-bottom, side-to-side, or back-to-back to form batteries of files. Double-drawer unit shown is Model 8246. Chroma gray or olive green enamel finish, chrome handles.

Maneuverable Lamp

307 Position the new LUXO lamp wherever you need it for best lighting for a particular job, for temporary or permanent installation. Direct the lamp housing forward, backward, full horizontal, to either side or an intermediate setting. Balanced-spring construction gives the LUXO its flexibility. A variety of mounting brackets permits clamping the fixture to edge of any table, desk or horizontal surface; or screw it to any vertical surface such as a wall, or to a slanted work surface. Luxo Lamp Corporation's lightweight steel fluorescent lamp is available in several colors; also incandescent type. Fully extended twin-arm length, 45″.

"Elevator" Stool

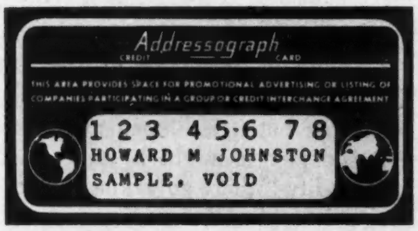
308 With seat height adjustable from a minimum of 18″ to maximum 27″ from the floor, the AJUSTRITE metal stool Model S 1827 is adaptable to any height worker, at machine, bench or desk. It is extremely useful where a lightweight, portable unit for occasional seating is desired. Cast-



iron base has 16″ spread; steel seat is 13″ in diameter. Optional equipment includes glides, wood seat, back rest, foot rest (which moves up or down as seat is adjusted), seat cushion. Product of Ajusto Equipment Company.

Plastic Credit Card

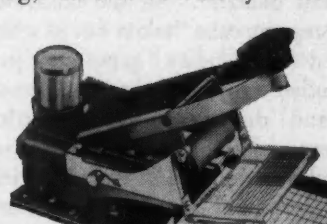
309 A thinner, more flexible plastic credit card has been introduced by ADDRESSOGRAPH-MULTIGRAPH CORPORATION. The new self-writing credit card is only one-sixth as thick as the charge tokens provided with carrying case and should prove popular with men as well as women. The necessity of notching has been eliminated and the plastic card may be had in colors and designs normally used in business advertising and promotion. Provision can be made for incorporating bearer's actual signature. The plate can



be prepared on an automatic Graphotype machine as a by-product of a typing operation.

Addresser-Duplicator

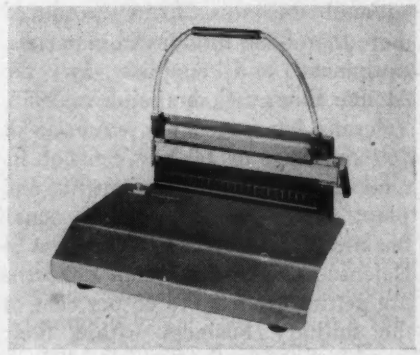
310 The new desk-type MODEL 60 MASTER ADDRESSER also is a miniature duplicating machine. Simple to operate, it can be used for writing names and addresses or other repetitive data (up to 13 lines 3 inches long) on a wide variety of account-



ing forms, checks, time cards, envelopes, up to 100 times from a single typing. Imprinted forms are made by same rotary printing action as conventional liquid duplicators. Paper master from which machine prints can be filed separately or attached to any related record. Desk space occupied is only 7″x13″. Master Addresser Company is manufacturer.

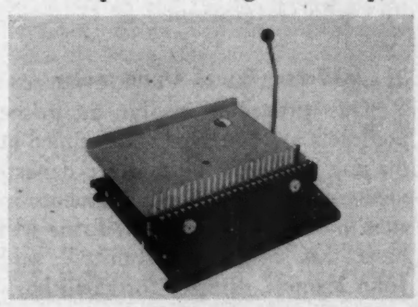
Your Own Plastic Binding

311 Professional looking plastic binding can be achieved in your own office with the hand-operated PLASTICO punching and binding machines



Punching Machine

of Plastic Binding Corporation. The colorful, durable plastic binding is suitable for sales manuals, presentations, sample books and other printed literature. Of heavy gauge steel and finished in gray hammerloid, the machines are portable and will fit on any table or desk. Hollow ground dies with shearing action provide precise punching, accommodate sheets or covers up to 12″ long. Books up to



Binding Machine

$1\frac{3}{8}$″ thick can be efficiently bound. Anyone can quickly learn to operate these machines, the manufacturer states.

Automation Needs Defenders, Price Tells Electric Industry

Automation "needs interpreters and defenders, to explain its benefits to those who stand to gain the most from it, the American people," and no other single American industry is so well fitted to assume this responsibility as the electrical industry, said Gwilym A. Price, chairman and president of Westinghouse Electric Corporation.

The industrialist sees these results from improved automation: new jobs and industries created, better working conditions, shorter hours, lower unit prices, better quality, service.

Small Business Gets Sizable Share of U.S. Orders, Procurement Session Told

Small business firms produced more than $250 millions in materials, equipment and supplies for the Atomic Energy Commission in 1955. Veterans Administration purchases of $69 millions, or 60 per cent of its total for supplies, equipment and plant improvement, went to small business last year. The Department of Defense reports that small concerns are getting from 60 to 65 per cent of the military business within their capabilities. The Department of Commerce estimates that throughout the civilian agencies 49.1 per cent of the total dollar volume purchases for items costing $25 or more went to small business in the last half of 1955.

These were among reports made by federal agency representatives on "Small Business Day" in Baltimore, when Washington officials addressed hundreds of owners of small businesses to tell them about opportunities with Government.

Offered Equal Opportunity

"Our program, insofar as prime contracts are concerned, has aimed at making sure that the military departments conduct their procurements in such a way that the small firms will have this equal opportunity," said John Hamlin, director for small business, office of the assistant secretary of defense (supply and logistics). "Within the past year we have undertaken to extend this concept to the important area of subcontracting. The defense business that small firms get as 'primes' has been over $3 billion a year and we think the volume of business they receive as subcontractors, while not precisely known, may amount to $2 billion. We are presently enlisting the cooperation of our large prime contractors in this program. They are showing themselves very willing to go along with our objectives."

The meeting was cosponsored by the Baltimore Association of Commerce and the Small Business Administration. The SBA plans to hold similar government procurement conferences in other parts of the country, said Wendell B. Barnes, SBA administrator.

One small jack may lift a car, but it takes a lot of jack to keep it up.
—Anonymous

Foreign Cotton Output Rises While U.S. Surplus Piles Up

"While surplus (cotton) stocks pile up in the United States (we're faced with the prospect of a record 14-million bale carryover), overseas, where our controls can't apply, production is up." From 13.6 million bales a year in 1945-49, average foreign production rose to 25.9 million in 1955. Our exports declined from 5.5 million bales in 1951-52 to 3.4 million in 1954-55. This is the story of cotton but it is chosen merely as an example. It might be any other commodity "where government price-fixing is applied."

"In the long run, the American farmer is not the real beneficiary of rigid farm prices," says Dr. George S. Benson, of Searcy, Ark., director, National Education Program.

In his letter "Looking Ahead," Dr. Benson notes from the discussion sheet of the American Farm Bureau Federation that the Federation is "for flexible supports" and wants to "see the economics of agriculture get back to the free enterprise system of supply and demand." In the controlled economy, acreage "taken out of a subsidized commodity generally goes into other crops, increasing the supply and driving down the prices farmers and ranchers can get for uncontrolled products." The American Farm Bureau Federation has nearly 2 million member families in the 48 states.

The Farm bill, signed by President Eisenhower, emphasizes establishment of a Soil Bank and compromises the matter of rigid price supports.

Institute Promotes Bund

Dr. Henry Bund, formerly executive editor and directing editor, has been named vice president and member of the executive committee of the Research Institute of America.

FARM CREDIT BEGUN ON P. 25

ing of farm equipment dealer customers:

"A better job can be done by the bank and the dealer operating with a limited recourse plan—one where the dealer establishes a reserve account out of which losses can be paid, has the responsibility of storing and reselling repossessions, *but does not place a full guarantee of payment on the contract.*

Give Complete Service

"When a bank enters into a financing agreement with a farm equipment dealer, the bank should be in a position to render a complete service—make a thorough and sound analysis of each contract in order to determine its acceptability, and make recommendations when required as to how a contract could be changed to make it sound and acceptable."

"Jumbo" Group Life Insurance Called Bid to Adverse Tax Law

Reaffirming its opposition to so-called 'jumbo' group life insurance plans, the National Association of Life Underwriters calls especially disturbing the group plan "which provides the 20,000 General Motors dealers with coverage in amounts ranging up to $100,000."

The four major grounds of the NALU opposition:

(1) Excessive amounts of coverage violate the basic concept of group term life insurance as being a form of social insurance; (2) may invite adverse tax legislation; (3) overshadow permanent insurance needs, and (4) tend to undermine insurance's agency system.

The statement urged wider industry support of the so-called $20,000-$40,000 group limit statutory formula devised in 1952 by NALU, the American Life Convention and the Life Insurance Association of America, and subsequently adopted by the National Association of Insurance Commissioners. Noted as "regrettable" is that "this formula . . . has thus far found its way into the law of only 20 jurisdictions," and "one of the principal obstacles to its adoption has often been the recalcitrant attitude of some of our prominent group-writing companies."

Guides to Improved Executive Operation

KEEPING INFORMED

YOUR EMPLOYEES AND THE MILITARY RESERVES—Facts regarding who must serve and when and how long, also, the union pay factor. Write U. S. Chamber of Commerce, Washington 6, D. C. 50 cents.

ARE YOUR SALESMEN OVERPAID? The Need for Analyzing Levels of Compensation—One of a series published under a Sloan Foundation grant. As a step toward lower distribution costs, Prof. Kenneth R. Davis sees a real need for management to take a closer look into problems of the level of salesmen's compensation. Surveys and case history of a shoe manufacturer are cited in this 16-page booklet. For copy, write Dean Arthur R. Upgren, The Amos Tuck School of Business Administration, Dartmouth College, Hanover, N.H.

FINANCING PROBLEMS of small business, and some of the ways to solve them, are covered in a new 18-page booklet, EQUITY CAPITAL FOR SMALL BUSINESS CORPORATIONS, prepared by and available from the Investment Bankers Association of America, 425 13th St., N. W., Washington 4, D. C. 25 cents a copy.

TOWARD THE FIVE-YEAR GOAL—This 16-page booklet is Supplement #1 to "Facing the Issue of Income Tax Discrimination" (see March 1956 CFM, page 30). Under the five-year plan the estimated $12 billion revenue expansion will be first applied to moderating discriminatory taxes, at a cost figured at $10 billions. Write to National Association of Manufacturers, 2 East 48th St., New York 17, N. Y.

AUTOMATION AND JOB TRENDS — A study of automation and its effect upon employment. 24-page booklet, sample copy free. Address Council for Technological Advancement, 120 S. La Salle St.. Chicago 3, Ill.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

526—Air-conditioning units to meet varying needs are described in Chrysler Airtemp's 8-page booklet, which features six different types of packaged air conditioners.

▼

527—How the installation of a Film-a-record microfilming camera in its tabulating department provides protection against disaster for a utility company's accounts receivable records is told in a 4-page illustrated booklet issued by Remington Rand. Write us for copy (CH 1031).

▼

528—Lithostrip continuous forms and Lithoset unit form sets of American Lithofold Corporation have built-in pockets to fit IDP tape or punched cards; prevent lost, misplaced or damaged tapes. For details and free samples of pocket forms, write us.

▼

529—"Invitation to Learning," 8-page brochure lists opportunities for business executives to increase their knowledge of business systems and equipment. Electronics, punched cards, general and specific management problems are among seminars of Remington Rand Institute. Write us for folder X-1630.

▼

530—Air cargo shippers to South America will be interested in Pan American Grace Airways' reference guide listing routing patterns, connecting carriers and document requirements.

▼

531—"10 Ways to Cut Costs with Inside Telephones," 12-page illustrated booklet prepared by the manufacturer, Automatic Electric Company, tells how 10 different business organizations utilize P-A-X, the internal dial telephone system. We shall be glad to obtain copy for you.

BOOK REVIEWS

GUARANTEED WAGE AND SUPPLEMENTARY UNEMPLOYMENT PAY PLANS—By S. Herbert Unterberger. 200 pages, paper cover. $3.50. Commerce Clearing House, Inc., 4025 W. Peterson Ave., Chicago 30, Ill.

• The authoritative, concise and informative study explains the advantages and disadvantages of the guaranteed wage issue, and how such a wage plan might operate; how to set up a pay plan; legal problems involved; operation; costs; and other pertinent factors, including a chart detailing 196 current plans; an evaluation of pay-as-you-go versus a trust fund, and an inventory of financial, legal and administrative problems involved, with several specific company benefit plans.

OTHER BOOKS REVIEWED AND RECOMMENDED

PROBLEMS OF THE INDEPENDENT BUSINESSMAN—by Austin Grimshaw. $6.50. McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. Invaluable for students of business management or company training programs. Contains 25 comprehensive cases, plus some supporting statistical material, describing major problems actually faced by owner-managers of small businesses. Presented as case-problems, the reader is encouraged to think his way through to policy and operational recommendation consistent with the facts presented. Cases are grouped to include retail trade, wholesale, service industries, manufacturing, mining and quarrying, contract construction, transportation, communication, finance, credit insurance and real estate.

SELECTING STOCK TO BUY FOR PROFIT—Carl Roth and John T. McKenzie, the authors, draw fully upon the statistics amassed by Standard & Poor's Corporation, investment organization. In fact, the volume is introduced by Charles A Schmutz, the corporation's president. 264 pages. $4.95. Henry Holt and Co, 383 Madison Ave, New York 17, N. Y.—Besides a popular style description and definition of the many categories of stocks, the authors present in supplement a list of 77 recommended stocks.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

Legal Rulings and Opinions

Post-Assignment Bankruptcy —Who Can File Claims?

A California referee's objection to the voting of creditors' claims for trustee in a bankruptcy proceeding following a general assignment for benefit of creditors was recently upheld by the United States court of appeals for the ninth circuit *(Kal W. Lities vs. Falstaff Brewing Co., et al., No. 14,821)*.

The decision reversed a previous ruling of the United States district court of the northern district of California which had reversed the referee *in re San Filippo, DC Calif., 1955, 130 Fed. Supp. 312, 314.* The referee's objection was based on the fact that the voting of proofs of claim for nomination of trustee had been handled through the facilities of the creditors' organization, one of whose staff members had previously acted as assignee in the original assignment proceedings.

Though the members of the creditors' committee represented a substantial majority of the bankrupt's creditors both in number and amount of claims filed, and though their nominee for trustee had no connection with the creditors' organization, the referee had held that in soliciting the claims "it was the intent on the part of said creditors committee indirectly to keep, if possible, some sort of control over the assets of the bankrupt."

Not a Government Lien

Though a contract between a government contractor and the Federal government stated the government could withhold excess profits from sums due the contractor, the stipulation did not give the government a lien on bank deposits made under an advance payment agreement, whereby a government official's countersignature was required for account withdrawals pending repayment of the advancements.

The bank did not know of the provision for government retention of excess profits, and on receipt of information that the advancements had been repaid, the bank released the balance on deposit to the contractor.

The government sued to have the balance restored to the account. The U. S. court of appeals, seventh circuit (Illinois) turned down the government's argument, said the advance payment agreement required the government official's signature only until the advancements were repaid. [*United States v. American National Bank, 222 F. 2nd 923 (1955)*].

Payable to Bearer

In Louisiana, where the courts operate under the civil law rather than the common law, the court of appeal held that a check made payable to the bank on which drawn was payable to bearer and that there was no basis for the bank to have any interest in the check. (*Fidelity & Casualty Company of New York v. U. S. Fidelity & Guaranty Co., et al., 81 So. 2d 576, 1955.*)

The fidelity surety of an employee brought action against the bank and its insurer to recover what the fidelity company had paid the employer because of the employee's defalcation. The employee, with a signature machine, had taken $26,000 from his employer, all the checks drawn on one bank and made payable by that bank but cashed by the employee.

The fidelity company argued in vain that the instrument was payable to order under the code section stating it is payable to order when drawn payable to the order of the drawee. Said the bank: The check was payable to bearer because payable to the order of a person not intended to have interest in it, a fact known to the employee. Said the court: the bank's position in the matter is correct.

Forgery Liability

Policy favoring free circulation of commercial paper is sufficient ground for placing the loss in a check forgery on the drawer as the first victim rather than on the second victim who had been induced by the crook to cash the check. So the supreme court of New Hampshire ruled recently. [*The Bank of Hanover v. . . . National Bank, 115 A. 2d 316* (*1955*)].

Savings bank "A" drew a $4,500 check on its bank of deposit, drawee bank "B", payable to the savings bank depositor after receiving a withdrawal order purportedly signed by her. Three days later the forger again forged her signature, this time as indorser, and had the check paid and credited to his account by bank "C" which guaranteed previous indorsements and forwarded the check to the Federal Reserve Bank of Boston for clearance to bank "B".

The forgery was discovered a year after the forger died. The woman depositor recovered from savings bank "A". Drawee bank "B" reimbursed bank "A", then began suit against bank "C". The court held that the fundamental policy of negotiability is the real reason for placing the loss on the drawer and that bank "B" was estopped from claim against bank "C" which could not be asserted against it by bank "A" because it "stood in the shoes" of bank "A".

Heads Controllers

Dudley E. Browne

The controller of Lockheed Aircraft Corporation, Burbank, Calif., Dudley E. Browne, has been elected president of Controllers Institute of America. He succeeds Robert N. Wallis, treasurer, Dennison Manufacturing Company, Framingham, Mass., who becomes chairman of the board on September 1st.

Stuart W. McLaughlin, controller, West Virginia Pulp & Paper Company, New York, has been named vice president and treasurer, and Herbert M. Kelton, vice president, United States Rubber Company, New York, has been renamed assistant treasurer. Paul Haase, managing director of the Institute, has been reelected secretary.

Dr. F. B. Miller Is New Executive Director NABAC

Dr. F. Byers Miller, dean, school of business administration, University of Richmond, assumes the office of executive director, The National Association of Bank Auditors and Comptrollers, in Chicago headquarters, on September 1st. At the same time Darrell R. Cochard advances to executive vice president.

Kenneth Bell, Chase Bank, Dies; Headed NACM Montreal Panel

Kenneth C. Bell, 61, vice president and secretary, Chase Manhattan Bank, New York, died after a heart attack suffered on an automobile trip with Mrs. Bell.

Mr. Bell's entire business career was with Chase. He began in 1919 as a clerk, became assistant cashier in 1922, second vice president in 1929. When Chase merged with the Bank of Manhattan Company in 1955, he also was made director of Canadian operations. For years he headed Chase's insurance department and had been vice president and secretary of The Chase Safe Deposit Company. From 1938-47 he lectured on insurance at Rutgers University graduate school of banking.

At the Second International Convention of the National Association of Credit Men and the Canadian Credit Men's Trust Association, Ltd., 57th annual Credit Congress, NACM, Montreal, 1953, Mr. Bell was moderator of the panel titled "Insurance—Your Aid in Credit and Financial Management."

He was born in Angola, Africa, the son of missionary parents, and served in the U. S. Navy in World War I. He was a graduate of the University of Toronto.

KENNETH C. BELL

Commercial Loan Accounting of Bank Puts Digital Computer in Wall Street

ELECTRONIC BABY BRAIN—The new Burroughs E-101 Electronic Digital Computer now is being applied to commercial loan accounting procedures in the Wall Street office of the First National City Bank of New York, under the bank's program to provide speedier and more efficient banking service to its customers. Instructions are given the machine through pinboard arrangements.

An example of its speed: in 12 minutes it will compute the average interest rate, the quarterly payments of interest and principal and amount due after each payment for a $10 million loan made for 12 years. This normally would take two men all day to figure.

In the 55 Wall Street office of The First National City Bank of New York they are applying the Burroughs E-101 Electronic Digital Computer to commercial loan accounting procedures. The "baby robot brain" was originally designed for research and engineering applications and First National City is said to be the first bank to apply the computer to accounting.

The new machine, which has a 100-cell memory capacity, performs any combination of operations automatically in accordance with a program of instructions given to it through arrangements of pinboards. The Burroughs computer automatically calculates and prints interest accrued through the end of the month on loan ledger cards. It computes and prints new balances. It prints a daily journal and a carbon copy of all transactions with offsets. It accumulates totals of loan changes by class, interest accrual changes, offset entries and other control totals. At the end of each day it recaps and prints these totals on control ledger cards and prepares the department proof for the general ledger of the Bank.

"The E-101 will be applied to other loan categories as soon as the work can be programmed," said George A. Guerdan, vice president and cashier of the bank.

Burroughs' Leasing Policy

The full line of Burroughs Corporation business machines now may be leased as well as purchased, and customers may apply 75 per cent of the rental fee paid toward purchase of the leased machine if they wish to do so at a later time, Noel L. Mudd, general sales manager, announced.

W. W. Finke Heads Datamatic

Walter W. Finke, formerly vice president and general manager, has been named president of Datamatic Corporation, Newton Highlands, Mass., manufacturer of electronic data processing systems.

Instalment Credit Control Could Hurt Economy, Bank Conferees Are Warned

CONSUMER instalment credit—what is the "right" amount, particularly in the face of changing patterns in the economic climate? Controls could have more adverse effects on the economy than a free market, agreed many of the speakers at the National Instalment Credit Conference of the American Bankers Association.

Economists, industrialists and banking executives, assembled in St. Louis, avoided "shooting off into space" either in fantastic predictions or dire warnings, and focused on the elements for sound growth and economic stability.

"More adequate information of consumer financing operations on a national basis is needed," said J. P. Dreibelbis, senior vice president, Bankers Trust Company, New York. He said monthly data, compiled and released currently, not at time of examination, would be most helpful to management. He cited the Federal Reserve System's board for progress in this field.

"Consumer credit offers an opportunity for limiting the amplitude of cyclical movements in production," declared Thomas Gies, financial economist, Federal Reserve Bank of Kansas City (Mo.).

Warns Against Improper Regulation

"Improper regulation as to down payments and terms could have a more violent and disturbing effect on the national economy than the gradual corrective process which eventually develops in a free market with all economic forces at work," is the way Charles P. Fiske, executive vice president, General Motors Acceptance Corporation, sees it. The current nationwide ratio of total individual debt to accumulated savings is less than in 1940, far less than in 1929. "The best defense against any movement in the direction of regulation," said Mr. Dreibelbis, "is for consumer lenders to learn more about their business, to get the information they need to establish effective minimum lending standards and practices, and then to take steps to see to it that these lending standards are adhered to in their own operations."

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Farm Equipment Outlook

Charles E. Harmon, vice president, Northwestern National Bank of Minneapolis, moderator of a panel on financing of durables and services, noted that financing of used farm equipment is a "major problem," and there is doubt in many quarters that 1956 farm machinery sales volume will equal that of 1955. Door-to-door sales of durable commodities within the last two years have increased tremendously, the panel noted. These, principally cookware and vacuum cleaners, and food-freezer plants are areas challenging instalment lenders.

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Indorsements on Marginal Risks

"Requiring the dealer to indorse automobile paper on marginal risks does not improve your credit one iota," said Arthur Bruen, assistant treasurer, American Motors Corporation, Kenosha, Wis. "It merely transfers a built-in abnormal risk from one set of books to another," and "usually to a set less well equipped to handle it." Pointing out the important contribution of smaller dealerships to volume, he noted also the similar significance of small-size banking institutions to sales financing. "More than 56 per cent of the banks with which we transact business are located in towns of less than 10,000 population, and fall into the 'small' category," he said.

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Underwriters Elect Black

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The National Board of Fire Underwriters has named Kenneth E. Black chairman of its executive committee. Mr. Black, president of The Home Insurance and Home Indemnity companies, is chairman of the National Board's special committee on industrial uses of atomic energy and its map committee, as well as a member of the finance committee.

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Bill to Legalize Filing Arrangement Petition Before Plan Voted by House Committee

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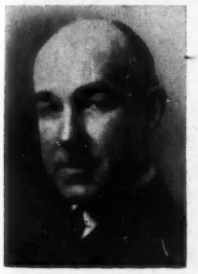

W. R. Montgomery

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Would Remove Inequities

NACM has supported the measure in the belief that, if passed, it will expedite arrangement proceedings, eliminate or reduce socalled arrangements which in the words of W. Randolph Montgomery, NACM counsel, "neither the debtor nor the debtor's counsel has any serious idea of effectuating." The bill would in general offer a realistic and equitable basis for Chapter XI cases.

In a memorandum to the House judiciary committee, Mr. Montgomery as chairman of the Committee on Bankruptcy of the American Bar Association, which also has approved H.Res. 6681, explained shortcomings of the present law which would be corrected by the bill.

Ineffective in Practice

"The existing statute (Section 323) requires that the plan of arrangement proposed by the debtor shall accompany the petition for relief under Chapter XI. This requirement was adopted in the belief that it would facilitate and expedite the consummation of arrangement proceeding. In practice, however, it has proved ineffective for this purpose, for the reason that a debtor, confronted with the necessity of seeking relief by way of an arrangement, must usually act quickly, and time does not permit such consultation with creditors as is essential to the formulation of an acceptable settlement.

"The result has been that lip service has been given to this requirement of the Act, and there have been filed with arrangement petitions, quite generally, so called 'arrangements' which neither the debtor nor the debtor's counsel have any serious idea of effectuating. Realizing this situation, a number of the district courts, in complete disregard of the requirements of Section 323, have been permitting arrangement petitions to be filed without setting forth the provisions of the proposed plan, and have been allowing the debtor time within which to formulate and propose a plan.

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"The Bankruptcy Conference has also drafted amendments to Chapter XI to permit an arrangement to be amended after confirmation, which is not now permissible. These proposals are limited to cases in which the arrangement confirmed provides for deferred payments of the consideration and where the amendment would either change the due dates of the deferred payments or reduce their amount. There is widespread demand for an amendment to permit these changes to take place, and there seems to be no sound objection."

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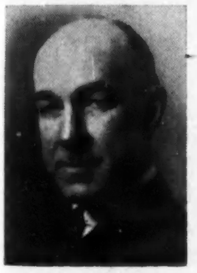

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Swanson Associate Secretary of North & Central California Unit

Carroll E. Swanson has been named associate secretary of the Credit Managers Association of Northern and Central California. He will assist Otis H. Walker, executive secretary - manager, until Mr. Walker's retirement goes into effect December 31st. Mr. Walker has been with the association 31 years.

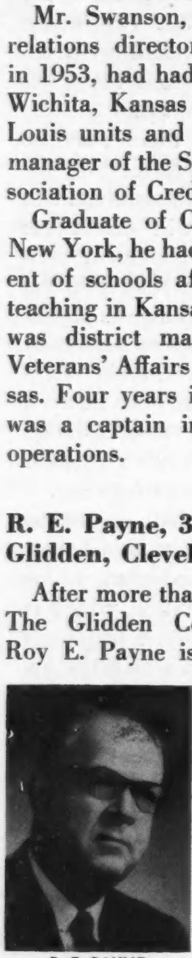
C. E. SWANSON

Mr. Swanson, who became public relations director of the association in 1953, had had experience with the Wichita, Kansas City (Mo.) and St. Louis units and had been secretary-manager of the Springfield (Mo.) Association of Credit Men.

Graduate of Columbia University, New York, he had been a superintendent of schools after several years of teaching in Kansas, and for five years was district manager of the State Veterans' Affairs Department in Kansas. Four years in the Air Force, he was a captain in the South Pacific operations.

R. E. Payne, 33 Years with Glidden, Cleveland, Retires

After more than three decades with The Glidden Company, Cleveland, Roy E. Payne is retiring as central region credit manager. In the company he has been a key man in training others to step into positions of credit responsibility. A number of regional credit managers of Glidden received their initial training under Mr. Payne, notes Richard H. Oakley, general credit manager of The Glidden Company.



R. E. PAYNE

A Hoosier by birth, (Fredericksburg is his native town), Mr. Payne went with Glidden in February 1923 following a period in credit work with Studebaker Corporation and four years with Firestone Tire & Rubber Company, Akron. He has purchased a home in Clearwater, Fla. Mr. Payne not long ago was licensed in real estate.

PROCLAMATION

by the City of St. Louis, through Mayor Raymond R. Tucker, in recognition of the 60th anniversary observance of the St. Louis Association of Credit Men:

WHEREAS, the vitally important role of credit men in commerce, industry and numerous other fields of business activity has seldom received the recognition it deserves; and

WHEREAS, the 820 members of the St. Louis Association of Credit Men are responsible annually for billions of dollars in accounts involving operations of the largest and best known financial institutions, industrial, manufacturing and wholesale organizations of this area; and

WHEREAS, the St. Louis Association of Credit Men was one of four similar organizations which formed the National Association of Credit Men at a meeting in Toledo, Ohio, in 1896; and

WHEREAS, sixty years of enlightened credit management in these United States is a monumental tribute to all who labor in this honorable and noble field of endeavor because the use of credit made possible the tremendous economic growth our nation has accomplished during this era of achievement;

Now, THEREFORE, I, Raymond R. Tucker, Mayor of the City of Saint Louis, do hereby proclaim the week beginning April 22, 1956, as

"Credit Managers' Week"

in Saint Louis in recognition of the sixtieth anniversary of the St. Louis Association of Credit Men and in grateful appreciation of this fine organization's outstanding contributions to the progress and prosperity of our city, state and nation.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Seal of the City of Saint Louis this twentieth day of April, A. D., 1956.

Graduate School Reunion

Forty members of the Bay Area Group, Graduate School of Credit and Financial Management, San Francisco, at their dinner get-together had as guest speaker Dr. J. Howard Craven, associate economist, Bank of America N.T. & S.A., San Francisco.

P. D. Muckerman Assistant Director of Education, CRF

Peter D. Muckerman of St. Louis has assumed his duties as the newly appointed assistant director of education of the Credit Research Foundation, National Association of Credit Men.

P. D. MUCKERMAN

Mr. Muckerman, a graduate of George Washington University, Washington, D. C., and a recipient of a master's degree in business administration from the Graduate School of Business Administration of Washington University, St. Louis, will assist local association managers in the development of association programs of credit education. Already in the field, he eventually will visit all local association offices.

J. G. Holland Dies; NACM National Director 1938-41

J. G. Holland, retired secretary-treasurer of Moore-Handley Hardware Company, died in Birmingham. He was a director of the National Association of Credit Men from 1938-41 and a past president of the Alabama Association of Credit Executives. Mr. Holland had gone to Birmingham from Iron Mountain, Mich., in 1929.

A. C. Bueter, W. Va. Utility Executive, Unit Secretary

A. C. Bueter, credit manager of the Monongahela Power Company, Parkersburg, W. Va., has passed away. In addition to the discharge of his duties as credit executive, Mr. Bueter also for several years had assumed the secretaryship of the Parkersburg-Marietta (W. Va.-Ohio) Association of Credit Men.

City College Credit Group Addressed by B. R. Tanner

The Credit and Financial Management Society of the City College of New York gathered at a special luncheon meeting in New York City heard guest speaker Barrett R. Tanner, secretary of the New York Credit and Financial Management Association. His subject was "Preparation for Credit Management." City College credit students, graduates, faculty members and credit executives attended.

Teamwork with Sales First Need, Connecticut Unit Told

If modern industry is to realize its potentials, credit executives and salesmen must work as a team, with more consultation in making up sales programs and more field trips with salesmen, says Gardner M. Corbin, vice president, sales and credit manager of Atlantic Screw Works, Inc., Hartford. "The creditman should have the same interest and enthusiasm in a new account as the salesman who brings it in," Mr. Corbin, past president of the Hartford Sales Executives Club, told the 39th annual state conference, Connecticut Association of Credit Men.

Tightness in the money market is affecting especially the small and medium-sized business, James J. Coy, assistant vice president of Talcott Finance Division, James Talcott, Inc., New York, advised the credit executives. Commercial financing promises to supply vital financial aid to an economy which it is believed will expand beyond imagination in the next 10 years, he noted. "More and more today small industries are looking to the commercial financing companies for short-term loans," he added, "for their sales and inventory expansions," Mr. Coy told the credit executives.

Raymond Rodgers, professor of banking, school of commerce, accounts and finance, New York University, also its graduate school of business administration, and faculty member of the NACM Graduate School of Credit and Financial Management, was banquet speaker. He discussed the outlook for business and credit.

William S. Ives, vice president, The Connecticut Bank and Trust Company, president of the Hartford Association of Credit Men, and Allan J. Caldwell, vice president, Hartford National Bank and Trust Company, were conference cochairmen. Noel J. Belcourt, vice president, Connecticut Bank and Trust Company, was program chairman. Alford C. D. Bennett, credit manager, Jenkins Bros., Bridgeport, president of the Connecticut Association, presided over morning workshop sessions.

The Connecticut association is composed of members of the Bridgeport, Waterbury, New Haven and Hartford credit associations.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

HANOVER, NEW HAMPSHIRE
August 5-18
Dartmouth College Session of the N.A.C.M. Graduate School of Credit and Financial Management.

BRAINERD, MINNESOTA
(Pelican Lake)
September 6-7-8
North Central Credit Conference, including Minnesota. North Dakota and Winnipeg

SAN FRANCISCO, CALIFORNIA
September 6-7-8
NACM Western Division Annual Secretary-Managers Conference

SOUTH BEND, INDIANA
September 14
Indiana and Southern Michigan Credit Conference

CLEVELAND, OHIO
September 17-18-19
Credit Management Workshop

WATERLOO, IOWA
September 19-20-21
Tri-State Credit Conference, comprised of Iowa, Nebraska and South Dakota

HARRIMAN, NEW YORK
October 1-2-3
Credit Management Workshop

FOND DU LAC, WISCONSIN
October 9
Wisconsin—Upper Michigan Annual Credit and Business Conference

MONTREAL, QUEBEC
October 14-15-16
Credit Management Workshop

SAN FRANCISCO, CALIFORNIA
October 14, 15, 16, 17
Robert Morris Associates Annual Fall Conference

ST. LOUIS, MISSOURI
October 17-18-19
Tri-State Annual Credit Conference, including Kansas, Missouri and Southern and Western Illinois.

ROCHESTER, NEW YORK
October 18-19-20
Tri-State Conference, including New York State, New Jersey and Eastern Pennsylvania

CHICAGO, ILLINOIS
October 24
Annual Illinois Regional Credit Conference

PROVIDENCE, RHODE ISLAND
October 24-25
Annual New England District Credit Conference, covering Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

LOS ANGELES, CALIFORNIA
October 25-26
Pacific Southwest Annual Credit Conference

TOLEDO, OHIO
October 25-26
Ohio Valley Regional Conference, covering Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan.

TOLEDO, OHIO
October 26-27-28
Midwest Credit Women's Conference

HOUSTON, TEXAS
November 8-9-10
First Southern Division Credit Conference of the National Association of Credit Men

CHICAGO, ILLINOIS
November 18-21
Annual Meeting American Petroleum Credit Association

SANTA BARBARA, CALIFORNIA
January 24-26, 1957
Credit Management Workshop

PORTLAND, OREGON
March 20-21-22, 1957
Annual Northwest Credit Conference

MIAMI BEACH, FLORIDA
May 12-16, 1957
61st Annual Credit Congress and Convention, National Association of Credit Men

Credit Responsibility To Sales Traced at S. W. Petroleum Meet

Southwestern petroleum credit executives assembled in Houston struck their own deep well of valuable ideas in the central thought of the conference—credit's responsibility to sales. Panel and forum discussions plus the keynote address by Frank A. Watts, sales manager of Humble Oil & Refining Company, focused on phases of the subject. The "Banker's Viewpoint" was presented by Grover Ellis, vice president, First City National Bank, Houston.

"You in Management" was the general theme of this conference of the Southwest Petroleum Credit Association. R. E. Greenwell, division credit manager, The Texas Company, Houston, was program chairman. Luncheon speaker Dr. Robert W. Barclay, director of management training courses at the University of Houston, had as his subject "Management Analysis." "Sales Promotion and the Credit Department" and "Resale Management and Credit Management" brought together panelists from credit and sales. Morris Frank, columnist, Houston *Chronicle*, addressed the luncheon.

Dewey Walker, credit manager, D-X Sunray Oil Company, Tulsa, was elected president of the Southwest Petroleum Credit Association, to succeed W. H. Arnold, district credit manager, Magnolia Petroleum Company, Houston. Mr. Walker also is president of the Tulsa Wholesale Credit Managers Association.

Five New Directors From Graduate School

Of eleven new directors of the National Association of Credit Men elected at the 60th Annual Credit Congress, in Cincinnati, five are products of the Graduate School of Credit and Financial Management.

Leland T. Hadley, Goodman Manufacturing Company, Chicago, is a former member of the faculty.

Three graduates are:

Joseph C. Acuff, Butler Manufacturing Company, Kansas City, Mo.; Vern S. Ames, Kimberly-Clark Corporation, Neenah, Wis.; Raymond A. Pear, The Pfaudler Company, Rochester, N.Y.

In addition, Fred J. Flom, The Detroit Edison Company, Detroit, Mich., has attended one year.

Careful Programming of Credit Needed, Heimann Tells Bankers

If we are to avoid a boom-and-bust economy, our national credit policies must be most carefully programmed, members of the Vermont Bankers Association, in annual convention at Manchester, were told by Henry H. Heimann, executive vice president, National Association of Credit Men. He cautioned that "too much credit carries with it as much if not more danger than a scarcity of credit."

Governor Joseph B. Johnson and Alexander H. Miller, state commissioner of banking and insurance, also addressed the 400 assembled bankers and guests.

"Artificially low interest rates make banking so conservative that banks cannot make many loans that are marginal," said Mr. Heimann. He noted these among reasons why the necessity that banks turn down marginal loans in a low interest rate period is not good: it restricts the bankers from doing the business they would like to do, namely, make some loans of a more than conservative risk nature, loans made after careful evaluation and a conclusion that the loan will prove sound; and bankers are left open to the criticism that they are not fulfilling their obligation to try to finance worthwhile business or individual needs. It is also in these periods that new competition to banks is created by those who do not have the trusteeship obligation characteristic of banking, he added.

Business Duties Emphasized to Eastern Petroleum Creditmen

Placing emphasis on the many-sided responsibilities of business today, particularly in government, education and human relations, leaders of the Association of Eastern Petroleum Credit Managers called on specialists in these fields for a pertinent message from each. Lt. Gov. Sumner G. Whittier of Massachusetts stressed the responsibility of business to the community, in his address before delegates at the petroleum executives' 19th annual conference, in Boston.

L. B. MORGAN

Keynote speaker Dr. Carl S. Ell, president of Northeastern University, had for his subject "Managers for Tomorrow." L. T. White, manager of the business and research division, Cities Service Petroleum, Inc., New York City, discussed "Customer Relations." Open forum and panel discussions on the problems of gasoline dealers, distributors, jobbers and other resellers were a conference feature. U. V. Davis, Esso Standard Oil Company, Boston, retiring association president, was conference chairman, and the New England Petroleum Credit Group was host association.

Newly elected president of the association is Leonard B. Morgan, Sun Oil Company, Pittsburgh. Mr. Morgan, with Sun Oil since 1924, became regional credit manager, central region, in 1936. He also is a member of the National Retail Credit Association and chairman, Western Pennsylvania Petroleum Credit Managers.

Other officers are: vice presidents, S. G. Steiner, Gulf Oil Corporation, New York; A. C. Cater, Socony-Mobil Oil Company, Inc., Buffalo, and E. A. Schramko, Esso Standard Oil Company, Philadelphia; secretary-treasurer C. M. Mathewson, Cities Service Oil Company, Boston, and assistant secretary-treasurer Dudley R. Meredith, Credit Men's Association of Western Pennsylvania.

1956-57 Trustees of Research Foundation

Trustees of the NACM Credit Research Foundation, Inc. for 1956-57 elected at the Credit Congress in Cincinnati, are the following:

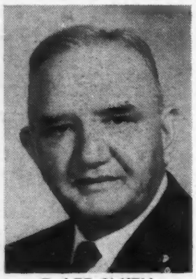
C. CALLAWAY, JR., treas., Crystal Springs Bleachery, Chickamauga, Ga.; B. F. EDWARDS, JR., vice pres., Bank of America NT&SA, San Francisco; VICTOR C. EGGERDING, asst. treas., Gaylord Container Corp., St. Louis; EARL N. FELIO, treas., Colgate-Palmolive Co., New York City; R. LYNN GALLOWAY, gen. credit mgr., Eastman Kodak Co., Rochester, N. Y.; W. L. HOLMES, credit mgr., Schlumberger Well Surveying Corp., Houston; L. B. HOUGHTON, asst. treas., Union Oil Co. of California, Los Angeles; MARION M. JOHNSON, treas., Brown-Forman Distillers Corp., Louisville; MURRAY V. JOHNSTON, gen. credit mgr., Gulf Oil Corp., Pittsburgh; MRS. LUCY KILLMER, secty-treas., Guarantee Specialty Manufacturing Co., Cleveland; K. CALVIN SOMMER, asst. treas., Youngstown Sheet and Tube Co., Youngstown; PAUL J. VIALL, treas., The Chattanooga Medicine Co., Chattanooga; J. ALLEN WALKER, gen. credit mgr., Standard Oil Co. of California, San Francisco; R. E. WHITELY, gen. credit mgr., Fairbanks, Morse & Co., Chicago; G. F. WINGARD, gen. credit mgr., Monsanto Chemical Company, St. Louis.

As announced in July CFM, Mr. Felio is president and the four vice presidents are Messrs. Galloway (research); Eggerding (promotion), Sommer (finance), and Walker (education).

Microfilmer Aids Insurer of Store Owners Cashing Checks

New low insurance rates to provide coverage for store owners who cash checks have been established by The Surety Association of America. Protection at the unusually low rate of one cent a check, for amounts up to $200, is available to store owners who will photograph the customer, his check and his identification papers. For this purpose, Recordak Corporation's microfilmer simultaneously takes a picture of all three required elements and the device now is being used by a number of grocery chains and supermarkets in check-cashing.

H. F. RAY



E. LEE SMITH

Executives in the News

C. A. JORGENSEN

H. R. JONES

W. A. Hess (l), retiring president; Harry Wilkinson (r), incoming president, Philadelphia association.

Achievement in Four Fields And Fisherman's Luck Besides

For E. Lee Smith, head of the Chattanooga insurance firm bearing his name, banking, law and insurance are familiar terrain. Map out a clear, broad trail of credit association activity (continuous since 1919) and you perceive the career topography of the new president of the Cherokee Unit, National Association of Credit Management, Inc.

Mr. Smith began with American National Bank & Trust Company, Chattanooga, advanced to assistant cashier and credit manager, but left to enter the insurance field. He is a past president, Tennessee Life Underwriters Association; member, Tennessee and Federal bar associations, Boy Scout area commissioner. Is proud of "the distinction of having caught the largest jack salmon ever hooked in Chattanooga."

From Ship Purser to Finance Positions in Large Businesses

Harold F. Ray has joined Hat Corporation of America, South Norwalk, Conn., as treasurer and controller. For the last 10 years he was with Great American Industries, Inc., Meriden, as vice president-finance, treasurer and secretary of the parent firm and its subsidiaries, Connecticut Telephone & Electric Corporation and The Colson Corporation. From 1923 to 1944 he was with Electric Bond & Share Company, New York, advancing through accounting department positions to assistant treasurer and assistant secretary and board member. From 1944-46 he was with Colorado Fuel & Iron Corporation, New York. A graduate of Pace College, Mr. Ray began as ship's purser for United Fruit Company.

Treasurer Wholesale, Retail Units, 40 Years with Company

Two significant milestones recently were achieved by Philadelphia's Harry Wilkinson: he completed 40 years' service with the John B. Stetson Company, Philadelphia, and he was elected president of The Credit Men's Association of Eastern Pennsylvania. Mr. Wilkinson has been credit manager of all divisions of the company since 1938, was made assistant treasurer in 1946. He also is treasurer of Young's Merchandising Corporation, wholly owned subsidiary of the John B. Stetson Company, operating 14 retail stores in the New York metropolitan area. He is past chairman of the Apparel Credit Executives of Philadelphia, past president of the Industrial Credit Club.

A deep-sea fishing enthusiast, Mr. Wilkinson has trophies won in the New Jersey Governor's contest.

Oakland Banker No Stranger To Native Saga of Enterprise

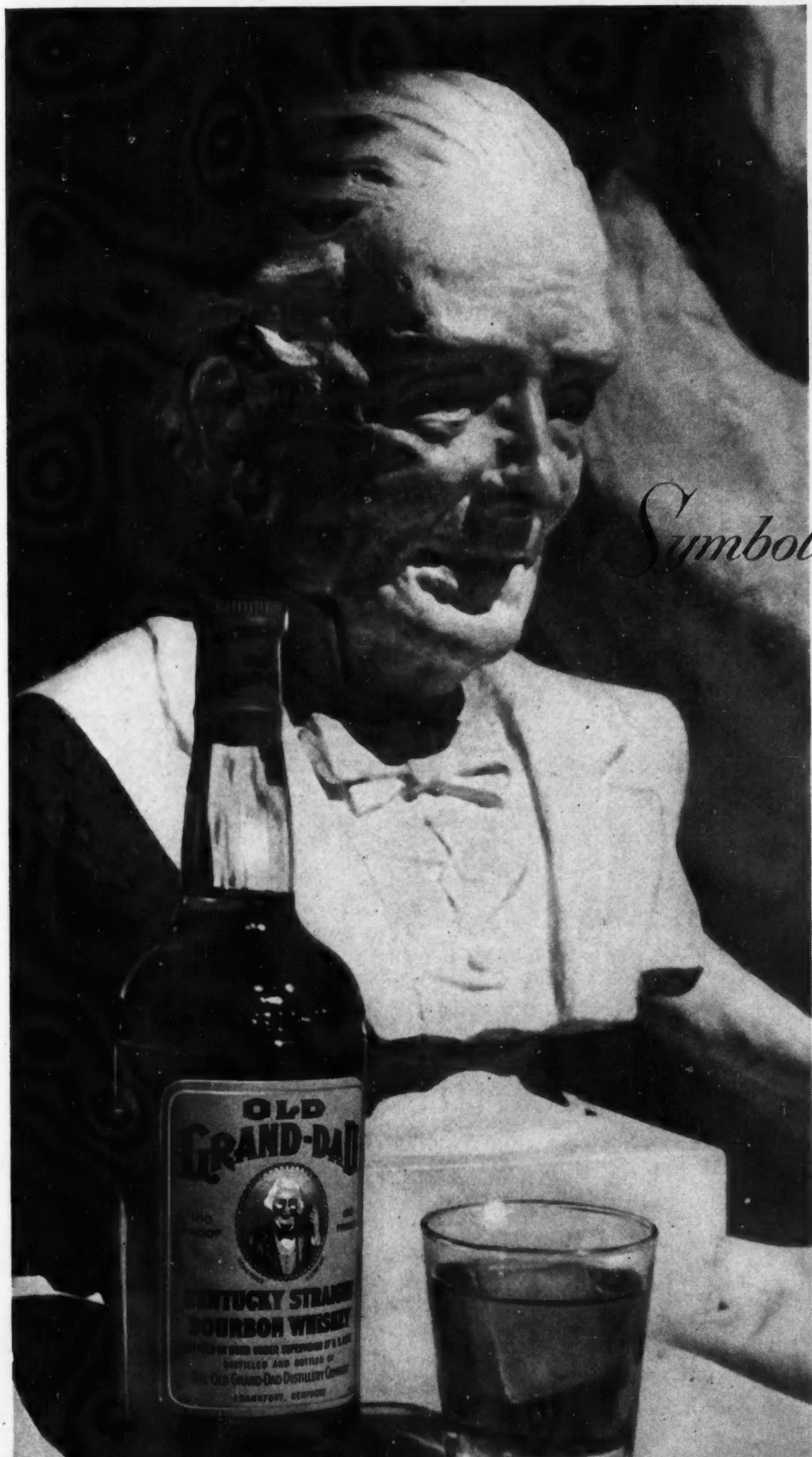
The drama of history underlies the life of C. A. Jorgensen, vice president of the Oakland (Calif.) Bank of Commerce. Born in 1898 in the Mother Lode mining town of Sutter Creek, he moved with widowed mother and sisters to San Francisco just before the earthquake-fire of 1906. His World War I discharge from the Tank Corps is signed by a "Lt. Col. D. D. Eisenhower."

The new president of the Wholesalers Credit Association of Oakland received earliest business training selling the *Saturday Evening Post.* He entered the automobile business as accountant for a Marmon agency, was executive vice president of S & C Motors when he left in 1954 to go with the Oakland Bank of Commerce, becoming vice president in 1955.

Vice President, Architect of Credits, Began As Bank Runner

Harold R. Jones, 34-year-old vice president of the Texas National Bank of Houston, recently elected president of the Houston Association of Credit Men, Inc., began his career as a runner only ten years ago. Working up to assistant cashier of Capitol National Bank, Austin, he left in 1950 to go with Texas National as assistant cashier and to build the credit operation. He advanced to assistant vice president in January 1954 and in June was made full-time lending officer, retaining control of credit operations.

Mr. Jones holds the certificate of the Graduate School of Banking, Rutgers University. He is vice president, Texas Chapter, Robert Morris Associates.



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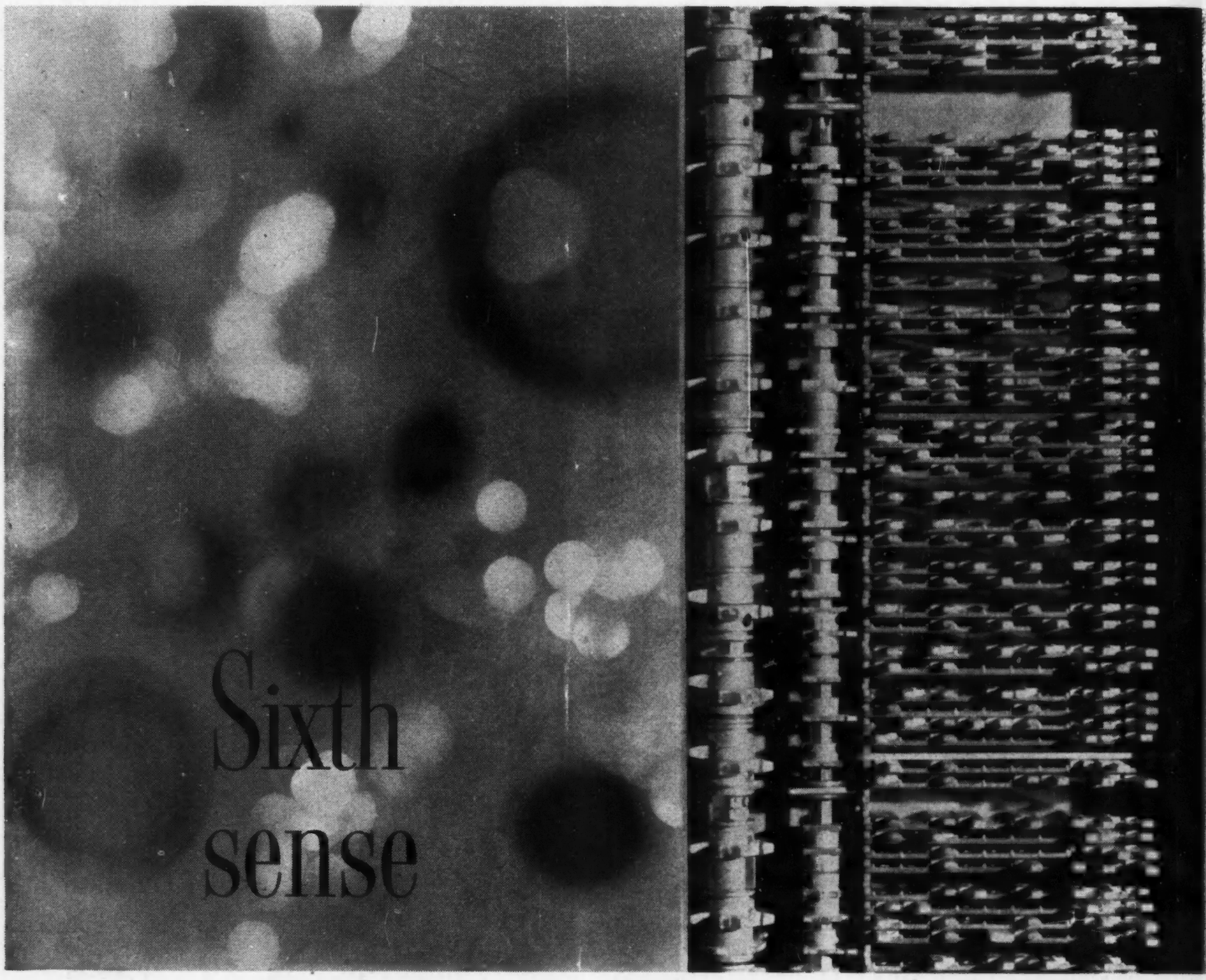
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